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REPORT

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EXECUTIVE SUMMARY

SUMMARY OF PROCEEDINGS

There was a general consensus among the speakers at the United States-Philippine Relationships in the Next Administration and Beyond Workshop that the relationship is in a period of flux, and that the outcome, which is still uncertain, would have a significant impact on the well-being of the Philippines and United States interests in the Pacific. Speakers cited a number of factors influencing change, including a generational shift in the Philippines and an increase in nationalism; new patterns of aid, trade, and investment in East Asia with Japan as the center rather than the United States; and the end in 1991, of the United States-Philippine agreement on military base rights. More immediately, the relationship will be affected by two sets of negotiations: the Washington-Manila negotiation over the future of American base rights after 1991 and United States discussions with Japan and other allies over the proposal for a multibillion dollar multilateral aid program. Speakers indicated that the volatile factor affecting the relationship was the continued uncertain internal situation in the Philippines, especially the Communist insurgency, poor social and economic conditions in the countryside, government performance in delivering services, and prospects for growth of the economy in the longer term.

The discussion of Filipino and American perceptions of the relationship portrayed Filipinos as highly sensitive to American policy and actions. Speakers and questioners described Filipino opinion as split between (1) a nationalist and leftist school of thought that rejects ties with the United States and (2) a view of the ties as a "special relationship" in which the Philippines deserves to occupy a high priority in United States foreign policy and be the recipient of a special United States obligation of assistance. It was pointed out that both views have been influenced by the history of the relationship: the Philippines' status as a United States colony from 1889 to 1946, the common resistance to Japanese invasion and occupation during World War II, Philippine support for United States policy in the post-World War II period and the controversial United States policy during the Marcos era. Speakers stressed that both views currently breed resentment over U.S. policy.

There was agreement that nationalism and resentment toward the United States have increased among two groups: the urban, educated elite and the younger generation of Filipinos. This was attributed partly to resentment over perceived United States support of the Marcos government, but also to the widespread popular perception that the United States takes the Philippines for granted in its foreign policy and is interested in the Philippines only because of the military bases.

There also was general agreement that the United States gives the Philippines a secondary priority in United States foreign policy. It was argued that this does not correspond to the high level of strategic importance of the Philippines. During the discussion periods, several participants criticized the United States for frequently utilizing the "special relationship" in diplomatic rhetoric, without giving substance to it in actual policy. Another view, however, was that this secondary priority was natural because of the United States global responsibilities and outlook, and because United States policy contained basic principles that must be followed toward the Philippines as well as other countries. In this regard, it was pointed out that in the bases negotiations, the United States had to consider the implications of any agreement with the Philippines on future negotiations with other countries on the terms for access to bases and facilities. Several participants criticized Filipinos for being too emotional in their reactions to United States policy and urged that the Philippines should put the United States on the same plane as other countries.

Speakers and questioners agreed that these perceptions would influence the positions taken in negotiations over military base rights and the utilization of aid. One questioner described the gap in perceptions of the relationship as "the main substance of the problem" between the two countries.

PHILIPPINE INTERNAL ISSUES

The views expressed on the internal situation in the Philippines tilted on the optimistic side, but speakers and questioners raised numerous caveats to this. The cautiously optimistic analysis had three facets.

First, it was asserted that the Aquino administration has made real progress in democratization: the promulgation of a democratic constitution, a series of free elections for national and local governing bodies, and the gaining of broad political and civil liberties for citizens and the press. Political participation, it was argued, has become broader than in the period of 1946–72 government under a democratic system, despite the revival of old dynastic political families in the current period. The government, moreover, was described as functioning adequately, with a new congress taking on powers equal to that of the executive branch. On another positive note, one speaker stressed that President Aquino and other top leaders were honest and have not created "institutional" corruption, in contrast to President Marcos.

Second, Philippine macroeconomic performance improved significantly in 1987, and prospects are even better for 1988. From a situation of stagnation and decline from 1983 through 1986, the economy grew at a rate of over 5 percent in 1987 and is expected to achieve a growth rate of around 6 percent in 1988. Government policy was credited with stimulating an expansion of consumer demand, thus creating a larger domestic market. Speakers also noted the upswing in private investment, including foreign investment, as a particularly encouraging sign—although they observed that overregulation by the government and limits on the government's debt-equity program are obstacles to higher levels of foreign investment. (The debt-equity program allows foreign firms to assume Philippine foreign debt, be paid by the government in an equivalent amount of pesos, and use the money for investment in the Philippines.)

Export growth was cited as another positive indicator of the Philippines internal situation. Speakers stressed that Philippine economic prospects depend on a sustained rise of nontraditional exports, especially textiles, garments, and electronics. The near-term outlook for such growth was descibed as good because the Philippines' major export markets, the United States and Japan, are experiencing strong economic growth of their own. It was stressed that the Philippines eventually could join the ranks of the newly industrialized countries (NIC's) if these export industries continued to develop.

Third, the speaker on the Communist insurgency described continuing difficulties for the Communist Party of the Philippines (CPP) and its armed wing, the New People's Army. The CPP continues to have political organizations in considerable numbers in the grassroots barangays (neighborhoods) but it is militarily weak in terms of arms and other material resources. It was pointed out that only one-half to two-thirds of the 22,000–25,000 regulars of the New People's Army (NPA) have arms, and these are exclusively light, handheld weapons. It was stressed that the insurgents have little prospects of securing weapons from the Soviet Union or other overseas sources.[1] <N>

The poor prospect for successful "armed struggle" in the near term has been one factor responsible for divisions within the CPP over strategy. Some CPP elements were described as seeking a downgrading of armed struggle and more concentration on political activities. Another faction favors an escalation of violence with a broader range of targets. A speaker stated that recent setbacks for the insurgency on the island of Mindanao may have influenced the CPP leadership to put less emphasis on military expansion of the NPA.

It also was claimed that the CPP and NPA have lost some support both in the countryside and the cities, partly because of the Aquino administration's restoration of electoral democracy. A speaker said that the CPP's use of urban assassination squads has produced criticism of the party even within urban political front groups, and that this has been one factor contributing to the declining effectiveness of these front organizations to the CPP.

Many of the caveats and words of caution regarding the generally optimistic assessment of the internal Philippines situation were due to the prospects of a continued, active insurgency. Speakers forecasted that the insurgency was unlikely to disintegrate or decline significantly in strength despite recent government successes.

Other caveats related to the performance of the Philippine Government and the Armed Forces (AFP). In terms of improving local government, several individuals pointed out that the Aquino administration has done little to establish an effective judicial system in the rural areas and has not given priority to strengthening the taxation powers of and resources available to local governments. Speakers and questioners expressed doubts about the abilities of the Armed Forces (AFP) in counterinsurgency. The AFP was credited with infiltrating the CPP and NPA on Mindanao, which brought about a devastating purge within the insurgent organization on the island. However, speakers stated that the AFP lacked the manpower, resources, and training to carry out an effective counterinsurgency strategy. The AFP continues to be affected by internal divisions and political intrigue. Speakers said leadership in the field was very uneven.

Other caveats dealt with the extent to which the improving economy was benefiting the Philippine people as a whole. It was agreed that the macroeconomic successes had not alleviated the massive poverty of rural Filipinos, who make up 80 percent of the population. These was, it was added, no certainty that strong macroeconomic growth would affect the majority of the rural poor. Speakers put emphasis on the need for basic structural change in the economy, including the rural sector. They cited such needed changes as:

(1)<NS>Industrialization based on labor-intensive industries that are competitive in exports rather than maintaining the past emphasis on capital-intensive industries that have received high tariffs and other protection from competition.

(2)<NS>A policy toward the Philippine peso based primarily on increasing export competitiveness.

(3)<NS>A shift in agricultural production away from corn and coconuts to higher value commercial crops like coffee and fruits.

Speakers expressed varied opinions on the recent land reform legislation passed in the Philippines, but there was general agreement that it is not a panacea for the economic maladies of the rural Philippines. Speakers felt that the main positive impact would be political—possibly for a limited duration—in providing land to 2 to 3 million landless rural families.

Speakers cited several limitations regarding the land reform's potential economic impact. One noted that the overall redistribution of income would be slight, since most present landowners were poor or lower middle class and owned only small plots. Speakers described loopholes in the legislation that they perceived as restricting the amount of land for redistribution, and they criticized a time schedule for implementation that delayed the redistribution of most affected private land until after 1992. A speaker claimed that the economic benefits of profitable, export-oriented agricultural businesses also could be lost if the government distributed their lands.

The most controversial issue of the day was the activities of the civilian volunteer groups, or "vigilantes." The AFP received credit from some participants for the success of civilian volunteer groups in reducing Communist activity in Davao City and adjacent regions in southeastern Mindanao. Critics charged, however, that the government and AFP were unable to control the growing numbers of civilian paramilitary groups, and the result was a rising incidence of human rights abuses by vigilantes. Critics warned that, despite the successes in the Davao region, the vigilante groups ultimately could prove harmful to counterinsurgency efforts.

Defenders on the other hand, argued that many vigilante groups are grassroots movements which arose in reaction to Communist abuses of civilians. They asserted that civilian volunteers are necessary since the AFP does not have enough manpower to cover all the insurgency areas. Defenders also stated that the Aquino administration remains committed to the upholding of human rights in contrast to the abusive behavior of the CPP and the NPA.

THE U.S. PROPOSAL FOR A MULTILATERAL AID PROGRAM

Speakers and participants emphasized the uncertainties over the key issues in the Philippine-United States bilateral relationship, especially the United States proposal for a multilateral aid program for the Philippines and the future of United States military base rights. Speakers and questioners stressed that this stemmed from questions about Philippine Government performance on the economy and counterinsurgency, rising Filipino criticism and resentment toward United States policy, and limitations on United States initiatives.

Speakers emphasized that those proposing the multilateral aid program viewed it as supporting Philippine democracy and efforts to alleviate internal economic and insurgency problems. There was an acknowledgment, though, that success in setting up a program could influence the course of negotiations over U.S. military base rights, especially the issue of financial compensation for base rights.

The U.S. proposal was described as consisting of $5 to $6 billion in official Government aid over present levels of aid for a 5-year period and additional private assistance, debt relief, and trade benefits. The program would begin in fiscal year 1990 with implementing legislation from the U.S. Congress in 1989. Speakers made clear that the great majority of the official aid would come from governments other than the United States. Japan, already the Philippine's largest aid source, was cited as an especially important as a potential donor.

It was acknowledged that much preparatory work remained undone. The presentation on the United States proposal indicated that Japan and other governments had not yet given commitments to increase their aid substantially or to join a multilateral effort. No final agreement had been reached on an agency to coordinate the plan, although one speaker mentioned the World Bank as a potential coordinator.

One speaker listed several potential obstacles to United States congressional support of the program: a $2 billion backlog in aid not utilized yet by the Philippine Government; the possibility of future adverse developments in the United States-Philippine bases talks; and human rights conditions. The vigilante issue again came up in this regard.

The Philippine Government speaker on the multilateral aid plan welcomed it, although he asserted that many Filipinos believe that the plan was motivated by the United States bases issue. In welcoming the proposal, he cited a net outflow of $3 billion annually from the Philippines to service foreign debt. He also praised the multilateral character of the plan as making it more acceptable politically in the Philippines and possibly providing a broader range of economic benefits. He stated that the Philippine Government would formulate specific plans and projects for the utilization of multilateral aid. He also stated that the Philippine Government has taken measures to reduce the backlog of unutilized aid and that it has made progress in doing so. He asserted that U.S. insistence on detailed oversight of projects and involvement of American consultants has slowed the implementation of projects financed by U.S. assistance. He also acknowledged that the outcome of the bases negotiations and the human rights issue constituted potential dangers to the proposal. He defended the citizens volunteer groups and declared that the government was prosecuting individuals in 72 cases of alleged human rights violations.

U.S. MILITARY AID

In contrast to delays in implementing projects financed by U.S. economic aid, the military aid program was portrayed as functioning smoothly. The United States speaker emphasized that the purpose of the program was to support Philippine democracy against the principal internal threat, the Communist insurgency. U.S. assistance to the AFP is intended to encourage professional conduct; improve combat capabilities; and increase capabilities in mobility, communications, command control, and logistics. It was emphasized that the planning of U.S. military aid had concentrated on the latter factors and that the U.S. Defense Department and the AFP had established a good joint planning relationship.

The speaker stressed the good performance and results of the U.S. program. U.S. military aid for 1984–88 totaled $367.7 million, not counting aid for international military education (IMET). He listed deliveries of large quantities of basic equipment for individual soldiers and units in the field: trucks, jeeps, radios, uniforms, boots, and medical equipment. He claimed the program was helping to produce "a better equipped, more efficient, and increasingly effective Armed Forces of the Philippines."

A Filipino speaker and several questioners were more critical of U.S. military aid. They cited reports of faulty U.S.-supplied helicopters. The United States speaker countered that the reconditioned helicopters supplied to the Philippines went through the same reconditioning process as similar helicopters used by the United States Army. The critics also alluded to Marcos government corruption involving U.S. military assistance money and the linkage of aid to military base rights. It also was asserted that U.S. military aid had helped the Marcos regime stay in power. A Filipino speaker made the point that Filipino public attitudes toward U.S. military aid depended on AFP conduct toward civilians and the civilian government. He added to this criticisms of the government and the AFP on human rights violations and accused the United States of abetting human rights violations through a continuation of military aid.

NEGOTIATIONS OVER MILITARY BASE RIGHTS

Speakers made two points concerning base rights negotiations. The first is that the talks are occurring in an open political atmosphere in the Philippines where an intense public debate about the bases is taking place as the official talks proceed. It was pointed out that antibases views dominate the public debate. Second, the current negotiations aim only to draft the amendment to the 1947 United States-Philippine bases agreement, which expires in 1991. Negotiations on base rights after 1991 likely would begin in 1989 or 1990.

The issue of U.S. aid or compensation for base rights in 1990 and 1991 was set forth as the main issue in the current talks. A U.S. speaker stated that despite budget restrictions, the United States could increase aid somewhat above the present level of $180 million annually, which is set forth in conjunction with a 1983 amendment to the 1947 agreement. He noted, however, that such an increase would fall well short of Filipino proposals of over $1 billion annually. A Filipino speaker countered that the United States should provide much more aid, given the importance of the bases to United States global defense strategy and the internal problems of the Philippines.

There also was discussion of the issue of U.S. nuclear weapons reportedly stored at the bases. The United States speaker stated that enactment into law of antinuclear legislation recently passed by the Philippine Senate would result in a United States decision to withdraw from the bases. The predominant view of speakers and questioners, however, was that the Philippine House of Representatives would not pass similar legislation in the near future.

The American speaker acknowledged that the United States has freer use of the Philippine bases than it has of its bases in Europe and that this would be a serious issue in future negotiations. He justified maintaining the arrangements, however, on the grounds that European allies contribute forces to common regional defense efforts while the Philippines does not.

No speakers or questioners ventured flat predictions on the future of the U.S.-operated bases. Some emphasized rising nationalism and antibase rights sentiment. Speakers noted that opposition to a continuation of base rights after 1991 currently was especially strong in the Philippine Senate, which would ratify or reject any agreement for an extension of base rights. Another view held that such antibase sentiment was stronger in metropolitan Manila than in other parts of the country; this factor would be relevant if a national referendum were held on the bases—an option set out in the Philippine Constitution. There was a general agreement, however, that the outcome of the bases issue would have a fundamental impact on the bilateral relationship in the 1990's. Statements by speakers and questioners demonstrated uncertainty over the amount of damage to the relationship if the United States lost base rights.

THE UNITED STATES-PHILIPPINE RELATIONSHIP IN THE NEXT ADMINISTRATION AND BEYOND

FRIDAY, JUNE 24, 1988

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The workshop met at 9:20 a.m., in the West Dining Room, Madison Building of the Library of Congress.

Mr. SUTTER. Good morning, everyone. My name is Bob Sutter. I am the Chief of the Foreign Affairs and National Defense Division of the Congressional Research Service. And on behalf of Joe Ross, the Director of CRS, I want to welcome you to our workshop on United States-Philippine relations.

You may have noticed from the program that we have 20 minutes of time for introductions. And we are supposed to begin our substantive discussion at 9:20. Well, I am just about to make up a lot of time right now by making a very short introduction.

This of course is a very important topic, and we are in very good hands today with our coordinator and moderator, Larry Niksch, a specialist in Asian affairs at the Congressional Research Service.

I would just make a few remarks about the hospitality here. Please help yourself to coffee and doughnuts in the back. This will be a very relaxed sort of atmosphere. Make yourself comfortable, and without further ado I would like to turn over the program to Larry Niksch.

Mr. NIKSCH. Thank you very much, Bob. As some of you may know, a little over 2 years ago we at CRS did a similar workshop in conjunction with the Woodrow Wilson Center on the Philippines.

It was held a few days before the Presidential election of February 1986. That of course was the first event in that momentous month of February in the Philippines which produced a revolution and a very dramatic change of government at the end of the month.

Since that period there have been a number of developments and changes not only in the Philippines but also in connection with the relationship between the Philippines and the United States.

Two particular developments in the United States-Philippine relationship have come to the fore recently; one is the proposal which came out of the United States Congress for a large-scale multilateral aid program to the Philippines.

A second new development has been the opening of negotiations between the Philippine and American Governments over the future of American military base rights after 1991, when the present agreement expires.

Both of these issues as well as others involving military assistance, human rights issues, and trade, and probably some others as well, are likely to come to the attention of the U.S. Congress in the coming months and certainly will occupy the Congress and the new administration which takes office in Washington in January 1989.

We therefore thought that it would be appropriate at this time if we held another workshop on the Philippines and took a look at these various issues in terms of how they are moving at the present time and the kinds of decisions that are likely to face the Congress and the new U.S. administration which takes office in January 1989.

We have organized the workshop in alliance this time with the Carnegie Endowment for International Peace. Fred Brown at the Carnegie has been very helpful to me in organizing the workshop. Fred, unfortunately, could not be here today.

The Senate Foreign Relations Committee is acting as an umbrella sponsor for this workshop. The Foreign Relations Committee will publish the entire proceedings of this workshop as a committee print, and hopefully this will take place within 2 or 3 months from today, if the normal procedures involving transcripts and work of the Government Printing Office are carried out.

Now, with that, I think I ought to say a couple of words about the ground rules of the conference. The proceedings are going to be published, as I have said. But until they are published, the remarks made today are off the record. They are not for attribution.

Also, questioners, during the discussion, need not identify themselves unless they specifically wish to identify themselves. So, when I call on people, I will not refer to people by their names.

When the proceedings come out, there should be many copies available, and you should feel free to get in touch with me or the Foreign Relations Committee about getting a copy of the proceedings.

In the back of the room we have a very brief chronology of Philippine-American relations. It is a brief chronology, just pointing up some of the highlights in this relationship since 1898.

It is a long relationship with a deep historical background. I would point out that the relationship really does begin before 1898 when a good deal of commercial contact began between the two countries in the early part of the 19th century.

I would also make the point that the outbreak of insurrection against Spain by Filipinos at that time comes against the background of a broad nationalist movement which developed during the 19th century, which culminated in the events of 1898 and in the next few years after 1898, which are mentioned in the chronology.

Now, the Philippine-American relationship is often spoken of as a special relationship, and one of the things that I have learned over the years in watching the Philippines, visiting there and in talking to people, is that it is a relationship which does produce very special and strong feelings on both sides between the two peoples. There is a deep historical background to that. And contemporary events, of course, influence this as well.

I thought, in preparing this workshop, that as an introduction we ought to take a look at how the two peoples view each other and how they view this relationship. And I think we have two people who are very specially qualified to give us those kinds of insights today.

Victoria Villena Denton is from the Philippines. She presently is living in the United States. She is an author and journalist. And a couple of years ago she coauthored what I considered a very interesting book entitled, "Filipino Views of America."

She has subsequently written various articles on this subject of the relationship between the two peoples.

Richard Kessler, as some of you may know, was at our workshop 2 years ago. He has been very much involved in the Philippines ever since I have known him, and that goes back a number of years now.

Rick recently was at the Carnegie Endowment for International Peace. He is now at American University, and he has written and spoken frequently about the Philippines and about the relationship between the Philippines and the United States.

So, without further ado, we will turn things over the Victoria.

PRESENTATION OF VICTORIA VILLENA-DENTON, AUTHOR AND JOURNALIST

FILIPINO AND AMERICAN PERCEPTIONS OF THE RELATIONSHIP

Ms. DENTON. Larry mentioned about the book that mu husband and I wrote. We went to the Philippines in 1985 and 1986 to do the research for the book, looking at what Filipinos think of America and Americans.

An article that I read recently in Life magazine on Paul Hogan, pretty much summarizes what Filipinos think of America. He commented on the asymmetry of Australia's relationship with the United States, noting how Americans know so little about Australia and how in contrast Australians know so much about America.

I felt that he could have been talking about the Philippines as well. The United States takes up a large part of our media—of everyday Philippine life and discussion. In high school, for example, we spend half a year studying U.S. history.

In my mother's time, she learned the American national anthem before she learned her own. In contrast, little is said in U.S. history books about its former colony. Very few American schoolchildren know that there was an intense debate in the United States over whether the Philippines should be annexed. The intensity of the debate, I guess, could be compared to the intensity of the debate during the Vietnam war.

Then there is the 40 years of rule and during World War II—we were the only Asian colony who fought side by side with its colonizer. It is quite a unique relationship between the colony and the colonizer.

And though the Filipinos did fight the Americans between 1899 and 1903 when the United States decided to annex the Philippines, instead of recognizing our self-declared independence from Spain, the perception of American rule is pretty favorable. It is almost very fond, which makes for a really odd relationship.

Today, having lived in the United States for a number of years, I would say that very little about the Philippines goes into the United States media. When the Philippines does make the news, it tends to be the Philippines always in crisis.

This has created a somewhat negative impression on the average American. The Philippines is seen not as a thriving American protege, but as an ally incapable of governing itself.

When my husband came back to the United States in 1983 and I myself had only been here for a year, we were both struck by the lack of knowledge and understanding of the Philippines. However, to be fair, this ignorance of Americans, ignorance as my husband likes to put it, runs through the entire history of the United States-Philippine relationship.

President William McKinley, for example, rationalized the annexation of the Philippines by characterizing Filipinos as heathens to be Christianized. In fact, the heathen Filipinos were Christianized 100 years before America was settled.

In modern-day America, policymakers remain insensitive to the Philippines' needs. This insensitivity may come from ignorance or maybe just plain arrogance. Forty-two years after the Americans left Philippine soil, educated Filipinos perceive that Americans have forgotten the special relationship brought about by World War II.

This is particularly true among the educated middle- to upper-class Filipinos. In the research for our book we found that for the most part the rural Filipino remains very fond of the United States and Americans in general.

The Peace Corps, obviously, has had a great influence in this very positive impression that Filipinos have of Americans. Though most of the members of the generation who actually experienced the war are disappearing.

However, the war tales are being told by father to son. The extent of fondness for America may not be the same for the next generation, but in some small measure it does exist among most rural Filipinos.

However, by virtue of their position, the educated class, has a greater influence on Philippine decisionmakers. For the most part, it is their voice that is articulated as the Filipino view.

Filipinos believe that the United States has a special obligation to the Philippines. We call it "utang na loob."—for fighting with the United States during World War II and for sponsoring two large and very important military bases.

As a former colony, a close ally, and a democratic protege, Filipinos feel the United States should help when an ally is in trouble, whether the trouble be Marcos or an economic collapse.

Former Secretary of Foreign Affairs, Salvador Lopez, called it "your moral responsibility." However, Filipinos feel that for the most part they are being ignored. We talked about a year or so ago to Solita Monsod, who is the head of the Philippine economic planning body, called NEDA, and she talked about Filipino resentment about taken for granted.

Understandably larger issues take up a majority of U.S. foreign policymakers' time. But Filipinos sense that as far as American policy toward the Philippines is concerned, there is no American policy.

Decisions are being made arbitrarily. As far as Philippine decisionmakers are concerned, I believe this has resulted in a hardening in stance toward its policy on the United States bases and an unfavorable view toward United States multinational corporations.

There is great resentment within the educated class toward the existence of those United States bases on Philippine soil, toward strong United States economic presence in the Philippines, and as a whole toward American dominance of Philippine life.

I think Filipinos really want to be exorcised of the strong American foothold on its culture, its economy, and its political system. On the other hand, we do love some things American, having been brought up with American food, American pop culture, television, and even the American language.

American influence and economic power is waning. United States policymakers have to wake up to the fact that weaker nations like the Philippines will no longer tolerate the arrogance with which their relationship is perceived to be handled.

U.S. policymakers have to be smarter in their dealings with other countries. Filipinos would still like to have the United States recognize the special relationship that befits a former close ally. And I think that even if we say outright we want the Americans out, we really do want them to remain.

This is, I guess, what we call a love-hate relationship between Americans and Filipinos. The United States should take advantage of the fact that Filipinos are still willing to change their minds.

For the most part, Asian economies are booming. Japan, already an economic power, will be joined by South Korea and Singapore and Taiwan.

I think that the Philippines can serve as a bridge to the newly industrialized Asian countries. And I think America should take advantage of that.

As far as American policymakers are concerned, they should take a closer look at the way that they deal with this ally. This would help a great deal in easing the tensions between the two countries.

Mr. NIKSCH. Thank you very much, Vicky. Rick.

PRESENTATION OF RICHARD KESSLER, AMERICAN UNIVERSITY

FILIPINO AND AMERICAN PERCEPTIONS OF THE RELATIONSHIP

Mr. KESSLER. Thank you. To some degree I think we all get a little tired about coming back to this subject. We seem to be constantly reinventing the wheel: Trying to educate or reeducate people to the significance of the Philippines to Americans.

It is amazing historically, as Larry and Victoria have indicated, that despite this close historical relationship most Americans have little understanding of the Philippines, although that may be changing.

I noticed in a bookstore recently, a children's bookstore, a little book for 4-year-olds entitled "Corazon Aquino." So, there is at least some dissemination downward of an interest in the Philippines that was not there before.

It is only in the last 2 years that the Chicago Council of Foreign Relations, which biannually does a poll of American attitudes toward certain countries began to include the Philippines in that category.

And yet, despite this, there continues, I think, to be at the highest levels what Victoria has kindly suggested is insensitivity, and I would say just plain ignorance, as to the Philippines and American interests there, and Philippine perceptions of Americans.

To some degree I think Victoria has had the easiest part. It is easier to talk about Filipino views of the United States than American views of the Philippines, Americans have so few views. And the way Filipinos are generally portrayed, I think, is distorted.

There was an article recently in the New York Times, an op-ed piece which began by citing a recent quote from the Foreign Secretary, Raul Manglapus, suggesting that the Philippines had to slay the American father figure. And the article ended with a bit of facetious comment that he is part of a jazz group that adores Duke Ellington.

And I think this is one of the problems in that Americans focus on the superficialities of Philippine culture and life that identifies with the United States without ever trying to understand the deeper implications of that for our relationship with the Philippines.

Larry mentioned the historical ties. Well, there is some recent history that suggests Philippine historical relationships to the United States go back to the War of 1812 when Filipino immigrants were living in New Orleans and participated with Stonewall Jackson in its defense.

This lack of understanding of a long relationship that Filipinos still discover binding them to the United States is something that I think we really have to understand, and we have to understand it very quickly if we are going to deal with some of the outstanding bilateral issues that we now have before us, primarily establishing democracy in the Philippines, helping to make that transition successful, and maintaining a security relationship with the Philippines that benefits both the United States and the Philippines.

And I would argue that there really is not much time. In fact, we may have gone beyond that point where this can really be sustained any longer.

Now, why is this? Why is it that Americans do not really understand the Philippines? Victoria suggested, as so did Larry, and I think that is very true, that the United States has never accepted its colonial past the way other nations have.

One can illustrate this by the economic summit that occurred just last week in which Mitterand, living up to his or French obligations as a former colonial ruler of Africa, managed to get a consensus about the need of dealing with African external debt.

And Mitterand arguing at the same time that we could not, of course, include the Philippines in any direct mention of debt, because that would be singling out a particular country, despite the fact that basically the external African debt that one is talking about is African debt owed to French banks and the French Government.

Now, I think this type of distortion and failure to understand these implications in a larger realm is something that, in a sense, frightens me, that policymakers at the highest level appear to be ignorant of the way actions are interrelated.

Now, in ignoring our colonial past, we have, as Victoria suggested, ignored the responsibilities of a relationship which I would argue still continues today with the same intensity as it did, perhaps even more vitally than it did in the period in which we really did rule the Philippines: In terms of economic interest, in terms of our security interest in the Philippines.

Our involvement in the Philippines is much greater now than it was in the 1930's. In the 1930's we did not think the Philippines had any great strategic value. Victoria alludes to the debate that occurred over the annexation of the Philippines: The anticolonialist versus the colonialist debate that resounded through the halls of Congress.

But there was also a much more subtle dimension, the strategic dimension, in which Americans, including Teddy Roosevelt himself, argued that the Philippines had no strategic value. And this is one of the reasons why during the period of American colonial rule we did not commit sufficient troops to the Philippines to defend it when the Japanese invaded.

This little historical fact is often forgotten, and I would juxtapose that to the current situation in which truly the Philippines' security value is well recognized now, well recognized within the Pentagon and by other states as much more important than it was recognized in the 1930's.

If we do not understand that, if we do not understand the basic elevation of the Philippines in terms of American interest as being more important than it was before, we are misunderstanding something which directly affects our interest today and our security.

Now, what does this mean for our relationship? I would argue that there are important corollaries which affect the content and style of American policy toward the Philippines that have to be understood and have to start affecting the way in which we channel and frame our own policy.

One of these important corollaries seems a fairly simple one, but which is fairly complex, that for Filipinos the United States is their primary relationship. While, for the United States the Philippines is often of secondary importance, even tertiary importance, and thus ignored.

And because of this, because of the failure in a sense to elevate the Philippines to a higher level of priority in American policy we often make very serious mistakes in our relationship, which we are paying the price for today.

Now, I think everyone who follows any particular country can always argue that that particular country should be higher on one's list of priorities in foreign policy, or that an issue, arms control, trade, whatever, should be higher in the list of one's sense of priorities. I grant that.

I think that there are still real objective reasons why at this particular point in time the Philippines does deserve a higher level of priority in American policy that it has not received to date.

Because the Philippines is often of secondary importance to the United States, we tend to take the Philippines for granted. Now, a simple concept, right? You take something for granted. Well, what does that mean in terms of our policy?

It means that we tend to ignore from the Filipino side what they see as a sense, as Victoria suggested, as a sense of prime obligation, a sense of duty. We tend in all our dealings with this country, at all levels, tend to ignore the importance of that sense of obligation which Filipinos feel they deserve from the United States, and they do deserve from the United States.

To them, in failing to recognize that, it becomes an issue of honor. Their honor. And when we do not really understand that, we make some mistakes. As I would argue, the economic summit last week and the failure to press this issue upon Mitterand was an example of that failure to understand the importance of honor in a relationship.

As a result, the United States tends to pay lipservice, as other people have said already this morning, to the personal nature of the relationship. And this occurs at the highest levels.

It is amazing to me to see George Shultz go to the Philippines and pin a yellow Cory Aquino doll to his lapel, displaying that everywhere, and think that that is all that really he has to do. That is all that really matters.

That when Mrs. Aquino comes to power in 1986 Shultz can pin this doll and explain that American budgetary constraints prevent any aid for the Philippines, but of course they have to understand that he will do his best.

Well, that does not really wash in a relationship in which Filipinos feel that there is this deep sense of obligation.

One cannot just refer to a special relationship as the United States loves to do without recognizing, until it suits the United States, the deep implications of those ties, so that when Shultz, as he did recently, testifies before Congress, and mentions the importance of the security relationship, underlines the fact that this security relationship is of mutual benefit to the Filipinos and the United States—which I completely agree with—and then does not quite realize the way his remarks will be perceived in the Philippines.

One cannot underscore mutual obligations without living up to one's obligations elsewhere in that relationship, and that is something the United States has failed to do. And I think it is astounding that we Americans lack this depth of commitment to the Philippines, despite the extensive ties, particularly the defense ties that we have to the Philippines.

Thus, the United States in our verbal statements toward the Philippines constantly tend to indicate a closer relationship with the Philippines than we really are willing to commit solid resources or to be really responsible for.

And this tends to make dissatisfaction inevitable. It tends to make tension inevitable. And it may result in finally a sundering of our basic security ties to the Philippines that go back to 1947.

A second corollary is that American support for Filipino concerns cannot be half hearted from a Filipino perspective. I think this is something that we never quite understand. One cannot be half a friend in a Filipino context.

And what we often try to get away with is being half a friend, although we do not think we are. We think we are doing the best job we possibly can, even though it takes almost 2 years to get a Marshall plan proposal to the Philippines. I would argue that that is not a very good sign.

Third, this relationship, our ties to the Philippines, tends to affect the style in which we carry out our foreign policy, and the style in which Filipinos carry out their own foreign policy with us, and this creates almost immediate problems in the relationship.

First, Filipinos emphasize the back door in their ties to the United States. The relationship with us goes between Washington and Manila direct, sometimes through the American Ambassador, but not always.

It does not normally follow fixed diplomatic channels, and it tends to be organized through third parties, some of whom have no real government representation. This means there is a great deal of ambiguity or lack of mutual understanding from a Filipino perspective as to what is happening, and from an American perspective as to what the Filipinos really want. And thus, we tend to interpret, misinterpret, and they do too, signs of policies that are not really there.

A case in point, of course, was the issue a couple of years ago over the difference between the Pentagon and the State Department over support for the Aquino government. Again, a classic example of a misrepresentation of American policy or misperception of an American policy on the Filipino side because of an emphasis in their culture on indirect relationships.

Second, it tends to mean that policy issues are seen as interrelated in a Filipino context and not interrelated in an American context.

For example, in 1968, there was a major dispute over Saban. The issue became one in which it appeared that the United States was reneging on its defense commitment, its defense treaty with the Philippines, in favor of Malaysia. We did not perceive it as such. But Filipinos perceived it as such, and took extreme umbrage.

Another example, in which issues that we do not see as related are seen as interrelated on the Filipino side, were the Mexican debt renegotiations that occurred about a year and a half ago in which the Filipinos felt that Mexico got better terms than they did. And that is true. Mexico did get better terms.

Second, the Marshall plan and the bases with the issue of the Marshall plan coming up at a point at which it appears that the base talks are not proceeding very well. We may not see them as related. Filipinos see them as definitely related. Another example would again be the economic summit.

Third, Filipinos feel they have to demonstrate their independence from the United States, in part because we do not structure the relationship in a way in which they can feel full-time partners in a security and economic alliance, and now as part of a general trend toward democracy in the Third World. And because of this failure to demonstrate coequal status in the alliance, they have to show that they truly are independent, that they truly are a prime partner in this relationship.

The sense of American neglect reinforces tensions. It reinforces a tendency on the part of Filipinos to demonstrate independence, to assert their pride, and to establish their honor on issues that go beyond the normal bilateral issues that normally involved the United States.

An example has always been the base negotiation talks in which Filipinos, because they feel that this security relationship does not benefit them, and that they are not really full partners in an American alliance to contain communism, as George Shultz would argue, have to create tensions over the bases as their only leverage for achieving greater status.

I would argue that if the Filipinos had a real justification for maintaining a security relationship with the United States, if the United States really treated them as a full partner in a security relationship, they would feel less need to create a tension over the base negotiations.

And of course this has a historical basis. It goes back to the whole formation of SEATO in the 1950's in which Filipinos were pushing for a name such as SEATO to make it comparable to NATO, and Dulles was arguing to call it MANPAC, because he did not want the alliance to appear to be competitive with the NATO structure.

Of course, Dulles lost on the name but won on the substance, because SEATO was never as important as NATO. And I think this is something that we have to understand. If we want, if George Shultz wants to go up, or any Secretary of State wants to go up before Congress and argue that the security alliance benefits both countries, then the Filipinos themselves have to feel that they are an equal partner in the articulation of that security policy. And the direct responsibilities of that alliance relationship, which would mean not having it raised every few years, arguing its importance, which gets me into some comments about the future.

Now, Lyndon Johnson once referred to Marcos as his "right arm in Asia." Now, Lyndon was always great at twisting arms. [Laughter.]

But he was right. He had an intuitive sense of language, and the need to symbolize a relationship to make things important.

And I would argue that the Philippines is the America's right arm in Asia. It is important. I would argue that the Philippines is at least as important to the United States as Japan. I would argue that it is even more important than China. And it has never been recognized as such.

I am struck, going back and looking at the various transition papers that have been produced for a variety of Presidential candidates over the last 16 years or so, and see how few of them ever mention the Philippines, if at all.

It was never mentioned by Cy Vance in his position paper for Carter. And I think this really illustrates a real lack of understanding of how American strategic interests in the world have changed logistically.

Subic Bay is more important to the United States in terms of our interests in the Indian Ocean and the Middle East than almost any other area of the world except Israel. If one has any doubts, one should look at the logistical pattern by which Americans transport military supplies and troops into the Middle East.

I would argue that, on the basis of this alone, that makes the Philippines as important as Japan. On the basis of a relationship that dates many decades, in which the Filipinos have consistently demonstrated their willingness to support American interests with their own blood demonstrates Filipino reliability as an ally.

One tends to forget that in World War II it was the Filipino troops that really prevented the Japanese from a quick conquest and delayed their overrunning the island. It was not the American troops. Look at the military histories of the period. They constantly underscore that it was the Filipino troops that fought much better than the American troops in defending Bataan and Corregidor.

And that not only in terms of this loss of blood but also in terms of support for American policy interests in the United Nations, Filipinos have demonstrated a much closer alliance with us than we could expect from any, almost any other country in that part of the world. Certainly more than from China today.

China is seen as important because of its size alone. But the Philippines, from its strategic location, from the basis of its economic possibilities, from its security relationship with the United States, far surpasses anything in terms of reliability and importance than China will ever be able to offer. China will never be in as close alliance with the United States as the Philippines have, and I think will continue to be. Thus I would argue that the future of our relationship is one in which, if it is going to remain as close as it has been in the past, is going to depend on the ability of Americans and Filipinos to forge a broad base for a new relationship. One in which it does not appear that our military facilities are paramount, that we are going to have to focus on the need for supporting democratic development in the Philippines, that we are going to elevate the Philippines in terms of its security importance, its alliance relationship with the United States, to a higher level in terms of consultations and discussions than we ever have in the past. And building this is going to be more than just a few words, a few programs.

It is going to have to be a broadbased one involveing the American people in more direct contact with Filipinos than it has in the past. And this is going to require compromise and flexibility, particularly over the next few months. Greater compromise and flexibility on the part of Americans than I think we have ever shown before.

And one, I guess, cannot be sanguine about the possibilities of that flexibility being demonstrated, and I mean of course the 1947 military base agreement talks which will be left up to the next administration to renegotiate that is due to expire, or can expire, after 1 year in 1991, to be precise.

And this is a huge kettle of worms that I do not think Americans really understand. Because what is coming to the table, what is going to be brought to the table is not an issue of money. It is going to be an issue of honor. It is going to be an issue of prestige.

It is going to be Filipinos, and many of them, let us look at it carefully, are people who go back to World War II, some of whom, Raul Manglapus, for example, was a resistance fighter against the Japanese, who remembers very clearly the unequal agreements that resulted with Philippine independence in 1946, who have felt that they have not received the respect they are due, that the Philippines itself has not received the respect that it is due.

They are going to be bringing to the table a host of issues that go back for decades. Not just a few issues that go back a couple of years, not just a question of amounts of payment.

And because of this, because the United States tends to see this as strictly an issue of money, I think we are going to end up losing those bases and losing a relationship which is more vital to us as an example of the possibilities of forging a stable democratic country in the Third World that could be an example for the rest of the world too, and a focus of American foreign policy, as President Reagan appeared to do when he first gave his speech before the Parliament in Britain several years ago in which he made a cornerstone of American policy pushing democracy.

I would argue this has become a bipartisan issue and that if one sees this as the opportunity, Philippines as an opportunity to demonstrate how democracy really can work for people and how it can improve people's lives, how it can bring economic development, allow people to expand their opportunities, then the Philippines has much greater implications for American interests throughout the world than in just the bases alone. Thank you.

Mr. **Niksch**. Let us take some questions. We have some time before our next panel. Is there anybody who has a question or a comment on what our two speakers have said? Yes.

A **Voice From Audience**. I would like, just because it has been my long-term habit to look at culture and underlying cultural thought patterns, I would like to ask both of our panelists, if they could, to look at their own cultural patterns and how they think even more that they color the way we look at things.

I would like Vicky Denton particularly to say some more about how she thinks Americans could effectively talk, because she concluded on that note. I would like Richard Kessler to look a little bit at the kinds of modes of analysis that Americans use that Filipinos do not.

If I may tell a story on Larry Niksch, when he talked to me about coming he said we will have this as an introduction and then we will go on to the substance, which is in a very American way true. This, what we have just heard, is not substance.

I would contend that what we have just heard is the main substance of the problem, and that we will hear the rest of the day the nitty-gritty of how it is played out. And I think that this difference in perception of what is substance and what is not substance and what is the real important thing, as the talk of honor is where the problem hangs. And so I would encourage them each to spin that out a little further.

Ms. **Denton**. If you go through the Philippine press, you see a lot of information about America, American policy, that is pretty much published as fact in Philippine newspapers.

I think a lot of resentment sometimes does arise from misinformation, and I think if the American Embassy would just be more open about itself I think in a way that would open up, pretty much clear up misinformation and things like that.

However, the American Embassy is pretty much what I describe in my talk, that Filipinos think that the American Embassy is unapproachable and arrogant. I think this is a first step in easing the tension in the relationships between the two countries.

Just having a more approachable U.S. representative in the country would help a great deal. Having Ambassadors who are very sensitive to Filipino needs. You have this American statement that "We cannot confirm nor can we deny the presence of nuclear weapons in the Philippines." I mean, Filipinos will no longer stand for that.

That has been something that the American Embassy has been telling us for years. Obviously, that is a big bone of contention among Filipinos. We do not want nuclear weapons there.

While I think they can live with nuclear weapons, if we know exactly what is in there, and if we know that the Americans are going to be responsible for this, I think a lot of it has to do with communication. I think that is a really major step.

Just the fact that there are 50 Americans here listening to a Filipino means a great deal. I think that would help in fostering the communication going on.

That was the main reason we published our book, the main reason we wanted to talk to 200 Filipinos and ask them what they thought to be a bridge to the American audience. I think that is another major step.

When Larry Niksch said that the proceedings are going to be published, I think if a Senator or someone gets a hold of the proceedings and maybe reads what Richard Kessler just said I think that is going to help a great deal.

Mr. **Kessler**. Well, briefly, anyone who has glancing contact with the Philippines tends to understand very quickly that style is very important in the Philippines. We would argue in our own dichotomous way of viewing the world, as style as being more important than substance. And that is generally true of most of Asia.

But I think from an American perspective or from a Western perspective, that tends to mean one thing: That there is no substance. There is nothing concrete. That style, because it is style, therefore lacks any real content. And I think that is wrong.

I think that is very much wrong. We have to understand that style or the emphasis on style and the emphasis of words, great phrases, is not just a way of avoiding dealing with issues.

It is a way of communicating, it is a way of communicating how one really feels about something very deeply. And we have to be more sensitive, we have to be more sensitive to that. I do not know if we really can in some ways.

On the other hand, on the Filipino side, I think it is very clear that they too have to become more focused on some of the issues that we consider substantive, that they have to deal more directly with some of their own problems.

The issues of economic social transformation that are already being discussed in the Philippines go beyond issues of style but go into issues of concretely changing their world. And I would leave it at that.

A VOICE FROM AUDIENCE. I would like to introduce kind of a sour note, frankly, but I would like to get the discussion back on perhaps a little bit on a different direction, and that is that we are talking about a fundamentally asymmetrical relationship.

A great power and a relatively small country, and the long-term dependence relationship. And so we can expect these emotional issues to be in the forefront. The United States neglects the Philippines, the Filipinos look to the United States as a father figure, or in another way as a source of all problems in the Philippines.

But there are other levels that we could talk about, the perceptions. And I think they could be a little more useful than just this kind of emotional focus. Filipino views are not monolithic and it is strange to hear people suddenly talk about Filipino views where you have got Marcos in one breath and Aquino in the next breath.

And it is as if Filipinos are in lockstep and that there are no distinctions between those two figures, or no distinctions between the relationship between the U.S. Government under Johnson and with Marcos or under President Reagan with Mrs. Aquino.

Mr. KESSLER. I would argue there really is no difference. If one looks at the way in which Philippine policy is formulated and which policymakers and other influentials talk about it, there is really not much difference from the Filipino side in the way things are communicated than before.

I would argue the same thing is true of the United States. There is really very little difference in the way we approach the Philippines today than we approached it in the previous administration.

A VOICE FROM AUDIENCE. Well, let me just finish with just a specific point, and then if you would like to respond to that I would appreciate it.

You have not given us any analysis of what is driving United States policy toward the Filipino bases negotiations issue right now or the whole policy toward the Aquino government. And you mention that all the United States cared about was money.

Well, I think that really does a disservice to the issue from an analytical point of view, because if we lose the Philippines bases we are going to spend a lot more money than what is at stake in terms of the issue of rent versus other forms of economic aid.

And in fact it seems to me from what I have heard that there is a principle here that is involved from the administration's point of view, and that is the principle that they do not want to pay rent, they do not want to accept the principle of rent, because that has much wider implications.

And the same thing with the issue of the nuclear issue. There are much wider implications and ramifications from some kind of successors on this issue. Now, I am not saying the administration's policy is right or wrong.

All I am saying is that there is a rational explanation for why the U.S. policymakers approach the issue the way they do. And not only that, the administration and the Congress do not have monolithic views on this issue.

And so when you are talking about perceptions, let us talk a little more concretely and get beneath or beyond the fairly obvious issue that we have got a mismatch in terms of relative power and we have got a lot of baggage, historical baggage and emotional baggage, which is involved in the relationship.

Mr. Kessler. No. What I said is that the United States sees the Filipinos as seeing this issue as purely one of money, of primarily one of money. There is a difference.

Ms. Denton. If I could just comment a little bit. You mentioned that, of course, Filipinos and Americans do not see eye to eye on the issue of rent.

We want to call it rent, you want to call it aid. I think overall Filipinos agree, I mean you say there is no monolithic view, that is true. In my speech I did say that in the rural area you go back, I mean they like Americans. They love Americans even.

You go to Manila and I think that you could say 70 percent of the people you talk to there have quite different views from the rural Filipino. They are more sophisticated. They view the relationship in a different light. They want to call your aid rent.

You did say that as far as American policymakers are concerned, there is something about calling it rent. As far as Filipinos are concerned, just letting us call it rent is a concession.

It is such a small thing to concede that this is rent and not aid. I mean, obviously the implication of having aid is that we are dependent on America and so on and so on. We get $130 million from the United States on the average a year. We get $600 million from the Japanese, and we get $350 to $400 million from the World Bank.

It is such a small thing. I mean, Richard Kessler is right. Filipinos perceive that all the Americans care about is the money.

In fact, during the negotiations the Americans, as far as the Philippine press reported it, refused to talk about the compensation. They said we are not going to talk about compensation on the table until you say you can keep the bases here after 1991.

Well, this is how, I guess, the negotiations are going. And that is a main bone of contention is the money.

Mr. Kessler. Why not call it rent and take it out of the defense budget? The reason why not, of course, is this broad conceptual view that we do not do this sort of thing, and that it would be too complicated bureaucratically to organize it, to give a one-time payment out of the defense budget.

I think that is small potatoes frankly. That is just an example of people not really wanting to focus on an issue and change the way they are doing things.

A Voice From Audience. All I am saying, though, is that let us look at the American view as an American perception. It is not just a perception of the Philippines, but we have a perception about what our policy ought to be, and let us talk about the reasons why we have that perception. Let us not just look at it totally from a Filipino viewpoint.

Mr. Kessler. Sure. I think if one can take, in fact it would be a fascinating another session for CRS is to look at American base relationships and treaty obligations. And the way we articulate the nuclear cause throughout the world with various partners.

And I would argue that one finds a great deal of nuance in all of that. And one should apply a similar degree of nuance with the

Philippines or else one should go back to the basic policy and say, "Look, this really is not uniform, let us change it."

Mr. Niksch. I think one could perhaps take the issue of neither to confirm nor deny the presence of nuclear weapons and pose this question.

We have, as the questioner has pointed out, the policy of neither confirming nor denying the presence of nuclear weapons on American ships and on American bases. And this is a global policy, and there are very specific security reasons for doing this.

But the question that I would ask is, Are our officials in the Philippines, the Ambassador and his associates in the Embassy, articulating in a comprehensive way the reasons for that policy to Filipinos? Is there a real effort at explanation of this policy?

I do not know the answer to that question. But from what I can see here, I have a sense that they are not trying very hard or are not putting a real effort in the explanation of that policy and the reasons for that policy.

If I am wrong, I would like to hear a different answer to that. But that is my sense of what is happening right now.

A Voice From Audience. I would like to raise a point. I would agree with some of the points being raised by the gentleman there.

I feel that this idea of focusing on the culture, and it was raised again, and Dr. Kessler kept on mentioning these problems of the Filipino honor, and I would think this is precisely one of the problems in Philippine-American relationships.

With due respect, I would say that there is an American tendency to view things that they cannot understand as problems of culture. It is the same attitude when you formerly saw the Japanese.

There was a view that there was an inscrutable Japanese. As a Filipino, I find it condescending for an American to say that when Americans would negotiate with the Filipinos, we have to have these nuances, we have to understand their particular culture. They have a sense of honor.

I think our officials are very rational enough to discuss issues on a very logical basis. It is not the problem of culture or whatever. I am raising this because, as a journalist, I seem to notice this in some American articles, like the article in the Atlantic Monthly, which focused on a damaged culture, and another article in the Wall Street Journal which attributed anything to the Filipino culture.

I think we are missing the real issues in what is happening in the Philippines now. There are very real structural problems, and if we dismiss this as mere problems of culture we will not be getting anywhere.

Ms. Denton. I think the whole point of raising the issue of culture is to let us overcome those problems.

I think, for example you mentioned the Wall Street Journal. There was an article, a three-part series on Ongpin's death. And this is culture once again. And one opinion piece in the editorial said, "If this is what Philippine culture is about I do not think I want to be a Filipino."

I think you did mention that Filipino officials can argue rationally. But the whole issue about bases is beyond rational, it is emotional. One of the people we talked to was with the Far Eastern

Economic Review, Joe Galang, put it well. He said, "I would like to have the bases out of here, just because it has created so much debate, so much division within society." It is not a rational thing. It is really emotional.

A VOICE FROM AUDIENCE. I would disagree with that. If it has created division of Philippine society, I could call it a period of high intellectual foment in the Philippines.

When people discuss it emotionally it means there are real roots of these problems and it is not the problem of mere emotion. And if you would say that it is a mere emotional issue I beg to disagree with that.

The Senate has discussed the Philippines and it has discussed this extensively. The Convenor group that started Aquino on the road to power has this basic issue. They discussed this before they could agree on the platform against Marcos.

It is not a mere emotional issue. It is a very real issue. And to dismiss it as something like Filipinos laying the father figure, I think, would be missing the real problems in the Philippines.

Mr. KESSLER. I was not suggesting the Filipino culture was damaged, as did James Fallows article in the Atlantic.

What I was saying was that we have to understand that culture and the history of the relationship are important, that a lot of people bring, as you say, emotion to this issue.

And that beyond that we have to understand that our relationship is not one that is based on something that happened 40 years ago. It should be based on something that is happening today. And yet we continue to talk about it in the context of something that happened 40 years ago.

Mr. NIKSCH. Let us see. We have time for two more questions. I saw a couple of hands.

A VOICE FROM AUDIENCE. Let me ask two quickly related ones to both our commentators. I am putting this in the context of the wider Pacific basin, when I make this comment about the Philippines.

But I am absolutely intrigued by the fact that a country, which is normally accused of meddling too much in other countries, through its Embassies and USIA, should in this particular Asian country be considered not to be doing enough. And I am not quite sure that we have adequately explained that.

There is something of a dysjunction here. And I would like to go into that a little bit deeper, but this is related to my second question as well. I mean, maybe the past has something to do with it, but there are other colonial pasts out there that do not exhibit this pattern either.

The next question very closely related to that really comes to the core of something that Mr. Kessler said, and that is that the United States is not sensitive to these issues.

And yet when I look at other countries to which we are sensitive, I must look at the role of immigrants in this country and the things that go into framing opinion and so on and so forth.

What is it that in a 100 years or more of relationship with the Philippines has not produced a natural constituency in this country for the Philippines, which address cultural sensitivities and other issues?

I mean, there are smaller minorities in this country that have done a much better job than the Philippines have done in educating us to this issue. I do not think we should approach this great polyglot culture as if it were something which can be educated and sensitized to a foreign culture.

And it seems to me that when we talk about policy aspects of things, we also really ought to talk about the ways in which opinions are formed in this country about foreign cultures.

So, I would like to come back to that, especially, for Richard. I mean, how could one go about sensitizing this country with its multifarious interests around the world? I was really struck, I must say, Richard, by you saying that you thought the Philippines were as important for the United States as was Israel and Japan.

And then one can sit back and say, "Well, is that not interesting?" I guess a Canadian would sit down and say, "Why did you not mention that country in this context too?" I mean, the United States has got so many "special relationships," why should this one be any more special than any of the others?

Ms. DENTON. Because we have a $28 billion debt.

A VOICE FROM AUDIENCE. What is Mexico? What is Argentina?

Ms. DENTON. Well, you did want Richard to address some of that. If I could, you say, before you said, we were intervening too much, and now you say, "Well, the United States needs to intervene more in the Philippines."

It is funny. When Marcos was ruling the Philippines Filipinos said, "You are intervening in our internal affairs, and you should not." And now that Aquino is here, I think the Aquino government has been able to handle the relationship between the United States, their attitude toward the American Government very well.

They cannot show that they are really close to the United States because the left is going to say, "You are another American puppet." That is the usual thing that the Philippine press would say about a government which is too close to the Americans.

I mean, obviously, this is just like Filipinos turning around and saying, "You intervened too much when Marcos was here and now that Aquino is here you are not intervening enough." I do not think we really want intervention. I think what we want is assistance. And I think it is different.

The second thing you said, "How do you sensitize Americans?" It is funny too, because in a way I think we were partly responsible for not having sensitized Americans.

When the Filipinos came here in the early 1900's, they were primarily workers. They were not very educated. Americans did not have a good view of the Filipinos who first came here.

There is a book, I cannot remember the title now, it is a great book, talking about the person's struggle in the United States in the early period. And I think that is pretty much what Americans thought about Filipinos. Very negative.

The second thing is now that you have the influx of educated Filipinos, starting in the 1960's, what have they done? Unfortunately, they have not done much.

There are about 1 million Filipino Americans here, but they are so divided on what they want to do that they cannot get together to go before Congress and present their views. Or do lobbying or anything like that. And so in a way I would say, "Well, you know, it is our fault."

Mr. **Kessler**. I did not say that it was just Israel, Japan, and the Philippines the United States should be involved in in the world.

I said in terms of Asia, the Philippines was equally as important as Japan in terms of American interest, and it should be mentioned as such. And it is never mentioned as such.

Look at the effort that goes beyond trying to get the President of the United States to give a speech on Asia with just a few words on the Philippines as or trying to get the Philippines mentioned prominently in the economic summit. Again, just a few words.

That is what I mean in terms of giving the Philippines greater importance or appearing at least to give the Philippines greater importance.

In terms of the strategic equation, one can argue, of course—I would argue too—that, sure, we can live without the bases in the Philippines. The Philippines would be less important to the United States without those bases. Guam might be, Vanuatu or some other place. Australia would be more important.

But if we want to maintain a security relationship with the Philippines, then we have to give it equally public credit for that relationship. I think one of the problems we always have in talking about it is that we always come back to talking about the bases.

That always ends up to be the starting point and the end point. And what we should be talking about in framing our policy in a way, and I think there are a variety of measures that can be taken, is to talk about how one works at developing and helping Filipinos to build democracy in that country, and how one talks about Filipino security needs and helping Filipinos to take on greater responsibility in a bilateral relationship with us, which is important.

And there are other ways of doing that. We have to build a context for it. It is not easy. And instead, what happens every few years, we get into a talk on the bases and then everything rotates around the bases.

You have got to build the basis for a broader relationship and then talk about the bases. And one of the ways you do that is to highlight the country's importance.

Mr. **Niksch**. At this point we are going to move on to our next panel, at which we are going to take a look at some of the internal problems of the Philippines which have been mentioned by our speakers. And so I would like to thank our speakers and to thank all of your for your questions. Let us take about a 5-minute break.

[Recess.]

Mr. **Niksch**. Marjorie Niehaus is going to lead off our discussion of views of the Philippine internal situation. We are going to be looking at four specific issues: the political system, economic policy and prospects, insurgency and counterinsurgency, and the role of the military.

Marjorie has been involved in the Philippines for many years, both as a colleague of ours at the Congressional Research Service, and most recently, as the Philippine officer at the Bureau of Intelligence and Research at the Department of State.

Many of you have seen Marjorie speak at conferences that have been held on the Philippines. She has also written extensively on the subject and is very well suited to talk about the politics of the country today and where they are likely to head and evolve toward in the future. Marjorie.

PRESENTATION OF MARJORIE NIEHAUS, U.S. DEPARTMENT OF STATE

VIEWS OF THE PHILIPPINE INTERNAL SITUATION, THE POLITICAL SYSTEM

Ms. NIEHAUS. Thanks, Larry. First I want to say I am speaking for myself. These are my personal views, not necessarily the Department of State's.

I would like to make five major points about political development under the Aquino government. The Philippines has been undergoing a political transition for a number of decades at multiple levels.

It is moving from a feudal society to a modern state, from a dependency to sovereignty, and most recently from authoritarianism toward a political democratic system. President Aquino has clearly set the Philippines on the course toward a political democracy.

But because of the broader and very painful transition that the Philippines is undergoing, it is impossible to predict exactly what shape and force the democratic system will eventually take. However, I personally am optimistic that democracy will survive in the Philippines.

Second, I would like to discuss the Aquino government's accomplishments. If you think of what needs to be done in the Philippines, of the number of people who live in poverty and the great social injustices that exist, especially in the countryside and at the grassroots level, the accomplishments have been very marginal, even irrelevant in a sense.

And if you consider the dynamic transition underway, maybe Aquino's accomplishments can be expected to fade like dried grass.

But if you look at what has been done in the brief first one-third of a 6-year term in a democracy—and democracies move slower than authoritarian or totalitarian states—I think the accomplishments of the Aquino government are remarkable.

What are they? First, Aquino has established a democratic political framework. But to make it work will take political will and a lot of change in the popular attitude. One of the reasons democracy is fragile in the Philippines is not because of the Communist insurgency alone, although that certainly poses a threat, but because of rightwing elements as well as the many Filipinos in the middle group who expect, it appears, that the government should be paternalistic, and do things for them.

It seems there is not a wide spread sense that Filipinos themselves have to get involved and make their democracy work. One of Aquino's contributions has been her vision of a participatory democracy.

So, the political framework has been established. Briefly, what are some of the elements? The Constitution was ratified in February 1987. It is a solid and democratic Constitution. It provides protections of human and civil rights. It provides for separation of powers. It embodies many ideals that perhaps would take even the most smoothly run government decades to accomplish.

Several elections have been held under the Aquino government. In May 1987, the Congress was elected, Senate and House. And in January of this year, local officials. These elections were basically free and fair.

Reportedly, there was vote buying and charges of fraud. But according to recent polls, a majority of Filipinos believe these elections, both congressional of 1987 and the ones 1988, were free and fair.

And they believe generally that elections are more free and fair now than in the previous administration. So, that is an accomplishment.

Separation of powers has been established. The Congress, the Senate, and the Supreme Court are not told by Aquino what to do. And there has been, basically, I think, a constructive legislative-executive relationship, although sometimes stormy, and at times there has been an irresponsibleness in both the Senate and the House.

But the Philippine Congress has a good record. They recently passed a land reform bill—probably Frank Denton will talk more about this. Certainly it is a modest law, but it represents a genuine compromise, and seems to be a workable, realistic act.

Congress also passed a budget. There are many congresses that have not done that.

Also, a free press has been reestablished in the Philippines and that is a very essential element in a democracy. From what I see, however, many of the Philippine journalists and others might abuse this freedom. That is my personal view.

Even less advanced than some of the other elements is a judicial system. The Philippines has had a judicial system for a long time, and President Aquino appointed very reputable, respected people to the Supreme Court and other courts.

But as far as I can tell, the judicial system does not get to the grassroots. For the most part the common man in the Philippines may not have access to an impartial judicial system. But the government recognizes this problem and is moving toward reducing it.

In addition to laying the groundwork, Aquino has also begun moving on some very serious problems. But again implementation will be the difficulty, and the caliber of the local officials will play a big part in the success or failure of these efforts.

Corruption still persists in the Philippines. Some argue, and maybe they are right, that it is as widespread as before. But one thing I can say with great confidence is that the President herself and the government itself is not in the business of institutionalizing corruption. It will take a long time to even turn the corner on reducing corruption. But Aquino has removed the high-level government corruption that had existed before.

Another problem is protection of human and civil rights.

Real human rights abuses do occur in the Philippines. And some of these are committed by government-related groups, military and police groups.

But I believe that human rights abuses have been reduced.

Many reported abuses are attributed to the civil defense groups commonly called the vigilantes. So, I want to say something about them. From what I understand, the earliest ones did spring up from the grassroots reaction against the Communist insurgency. In Mindanao, during the last years of the Marcos era, in 1984 and 1985, the NPA was blatantly using terrorism in urban centers and other areas. Establishment of citizen defense groups—such as the Alsa Masa in Davao—was in reaction to that.

They were started by civilians, businessmen, and others who had a lot to lose from Communist extortion, tax collection, and terrorism. The Alsa Masa and other early groups were started when civilian groups, the church, business, and ordinary people in the area began to cooperate and see what they could do about limiting the Communist intrusion into their lives. After they were already organized they took on a military element.

It seems that those groups that started with a strong civilian base were less inclined to commit human rights abuses. Now there are about 200 of these citizen defense groups with differing records. Many of the later ones have been organized by the military.

The citizen defense groups in some areas have stayed within the law. In other areas they seem to be abusive. Individuals in these groups, of course, differ too.

The government has issued comprehensive guidelines to regulate the citizen groups, but they are not always enforced.

The citizen defense groups are a growing problem, but they may be necessary at this point. They are necessary to counter the Communist insurgency which lives at the grassroots level.

To eliminate that the military also needs to have citizen intelligence in the areas where the insurgency is infiltrating and moving.

A third problem area is the local government. The emphasis of Aquino is on rejuvenating local government and delivering basic services, protection, and economic benefits to the local level. Marcos had centralized power while Aquino is attempting to decentralize.

To do that, Aquino needs responsible and competent local officials. The elections had mixed results. Some of the officials are quite good. Some may be not.

But Aquino is pushing hard to improve local government and the cooperation between the national and local levels. For example, she created regional development councils, 1 for each of the 12 regions.

These are made up of all provincial governors and mayors in a region, and a major new ingredient is emphasis on private sector RDC's to approve participation of all regional development projects.

Instead of a national department deciding what is to be done in the region, the RDC has a veto over this, and can set the priority. Of course, the roadblock is that national level people do not want to give up their prerogative over funding, and over approving local projects. It will be very difficult to implement the RDC plan, but President Aquino has moved forward on this.

Also, there is a cabinet officer designated for each of the 12 areas who is to help cut the redtape in getting development funds to the local level. Moreover, they have reinstituted the peace and order councils to help adjust national security policies to local needs.

In addition, four provinces have been named "models" in which special development funds will be given. The idea is to choose provinces where there is competent leadership that is trying to look at issues and what the people need.

The concept is that good local government officials are rewarded with attention and funding for their local projects.

My next point discusses political party development under the Aquino government.

In general, there seems to be a movement toward two major groupings, the pro-Aquino and anti-Aquino groups. Many people have faulted Aquino for not leading a party herself.

I think she was very wise not to do it, for this reason. She is a unique political leader coming to office at a unique time. She has more flexibility—that is, fewer obligations—without being the head of a particular party.

Moreover, there is a political apparatus, the PDP Laban/Lakas, which is forming a single party. It is really the Cojuangco/Aquino political network, which is in a large sense her political party.

So, she has the best of both worlds. She is free from the obligations of a party head and yet she has the support of this apparatus that is the dominant political group and probably will remain so at least until 1992.

Close to her own PDP Laban/Lakas Party is the Liberal Party headed by Senator Salonga. Salonga is trying to build a rival faction to the Cojuangco/Aquino group for the 1992 elections.

But he is loyal to the Constitution, loyal to Aquino. He may become more distant on some issues as we get closer to the 1992 elections. Reportedly, he had thought of making a break from Aquino's coalition, but many of his Liberal Party people reportedly said that they would bolt the Liberal Party if he so did. So, he has stayed closer to the Aquino coalition for now. But it is a very dynamic situation.

I put everybody else into the opposition or the anti-Aquino group. Those would include the Nationalista Party, the remnants of that traditional party. Senator Enrile is trying to revitalize a segment of the Nationalistas.

Also, I would put Vice President Laurel's group, UNIDO, in the anti-Aquino group. UNIDO is somewhat of a shell right now. Most of the people in UNIDO have joined President Marcos' PDP Laban/Lakas.

Also there is GAD and former KBL people. These anti-Aquino groups have made several attempts to unify, with not much success.

For the most part, the party system is still based on personalities more than issues. And it shows many other traditional characteristics. That leads me to my last point.

I ask, Is the political system that has developed so far, a return to premartial law days? Or is it something new?

There is much that is the same, of course. There is patronage and local powers and elites. Personalities play a big role. But I think much is new, and I would point out some of these things.

There was an antidynastic vote in the 1988 local elections. Some families, some local power groups, the Laurels for one, were defeated, or lost some seats because they were an old entrenched family.

Salonga pushed the "anti-dynasty idea" a great deal. He had a personal reason to do so because he was competing with a relative of Aquino group.

But the antidynastic concept caught on. It registered in the minds of some voters, and so I take that as a sign of something new emerging. Also, there are many new people running for office and many new people being elected.

Some articles that I find much fault with give the idea that the Philippines is returning to old politics to rule by elites. I strongly disagree with that. Not only members of elite families are being elected.

In any case, just because a person is a member of an elite family does not mean that he is not also moving toward modern politics, more issue-oriented politics. We have examples in our country for that. Franklin Roosevelt would be one.

In the recent Philippine land reform debate, many times the members of the elite families were arguing for the most radical bill. Senator Aquino would be one example.

And in some cases the people today who are most opposed to the land reform act are not from the elite families but from middle-class landowners. And so my point is that just because a person is from an elite family does not mean that that individual is not also for reform politics.

Another indication that there is something new, is that some officials at least talk about responsibility. They talk about issues a little more.

I am not predicting that modern politics will take root fast. I am just saying that there are signs that there is something new and that the Philippines has not returned totally to premartial law politics.

Mr. NIKSCH. Thank you very much, Margie. I can see from both of our presentations so far that perhaps I should call the Washington Post and ask if they would like to send somebody down here to respond to all of this or at least represent the press. But we will not do that at this time. [Laughter.]

But we do have a very important topic that Marjorie has addressed. Political changes are dramatic, and in watching the actions of the government and the Congress one sees some very interesting issues being considered and decisions taken on those issues.

Let us take some questions now to Marjorie on the political developments in the country and the number of things that she said. Yes.

A VOICE FROM AUDIENCE. On the local government, I am curious whether any power is going to be given to the local officials to raise their own funds and resources for doing their own projects, or are they still going to be dependent upon national?

Ms. NIEHAUS. That is a very good question, and it touches on the core of the problem. What Aquino has said and what Local Government Secretary Santos has said is that, yes, the local officials are supposed to be able to raise their own funds and also have control of funds given from the national government. But, this is not taking place yet. I think this could be very difficult to do and it is a very important thing to watch.

A VOICE FROM AUDIENCE. There are no moves in Congress to provide that?

Ms. NIEHAUS. No, definitely not in Congress. But I understand, for example that the head of the Philippine IRS is pushing for reform.

But it is in the planning stage. I think it is on paper, not in reality.

A VOICE FROM AUDIENCE. If I could follow up on that, if local government officials then have no ability to raise money on their own, if $2 billion of project money or aid money for local projects is stuck in the pipeline, then in what ways has Aquino rejuvenated local government?

Ms. NIEHAUS. I do not think it is true to say they do not have any power to raise funds. President Aquino has rejuvenated local governments by creating regional development councils, by creating CORD, or a cabinet man for each region.

So, among the things Aquino has done is push the executive branch to set up RDC's and peace-and-order committees. Also, the January local elections were a big step toward rejuvenating local government.

As for the aid pipeline, I think it is somewhat misleading about the $2 billion. That is not all U.S. money, and other aid recipient countries also have big pipelines.

But it is a big problem in a country where the local areas so need funding. Is it primarily incompetence, I do not know.

But it seems that NEDA and other national level agencies are checking more carefully before giving out the funding. They are not just approving any project, but are checking carefully.

That is one of the reasons for the slowness. But the pipeline is a serious problem.

A VOICE FROM AUDIENCE. You seem to feel Cory Aquino has done a good job promoting human rights in the country. I would say it is certainly true that she came to power on a human rights platform, that when she was first in office she had a presidential committee on human rights, and it had a lot of good people on it.

But of late there has been very little talk on human rights within her government. The human rights commission is not working effectively at all. Her statements on vigilantes, the most recent statement, on the one hand she says they should not be armed, and in another question it was very clear that it was OK if they were armed.

I see this as a real problem, and I would like your comments.

Ms. NIEHAUS. I agree with you in general, and I thought I tried to say that human rights abuses are a problem. As far as arming the citizen defense groups, in the guidelines which the government issued in October 1987 it is said that if members already have registered legal arms, they can use those arms.

So, it is not that citizen defense groups cannot have arms. The guidelines state that they can use arms already registered to them. I certainly agree with the thrust of your question. We get credible reports that some military elements are arming these groups.

And some of them I would not even categorize as citizen defense groups, such as the Tadtad in the Cebu area and others, which have a history of what I would call fanatical behavior and certainly the liberal use of weapons.

You said Aquino came to office on a human rights platform. That is true, and I think that human rights are not emphasized as much now in the second and third year of her term.

One reason is that her government faced civil-military tension. I am sure you all know about the coup attempts. One of the things Aquino has done—and the reason I did not mention this so much, is that it did not really fit under my category and I figured that Rick Kessler might cover it.

One of the things Aquino has done which, when you look at the whole picture, is positive is try to deal with the military, try to listen to legitimate grievances, and improve civil-military relations.

Before the government could do anything else, it had to solve this tension.

In doing so—and this is my personal view—I think there has been a lessening of emphasis on preventing human rights abuses.

So, the thrust of your question reflects a correct insight. In the first year Aquino released political prisoners, restored habeas corpus, and took other steps to protect human and civil rights.

Then in the second and third year, in dealing more realistically with staying in power and managing the government there has been less emphasis on human rights, I believe. But I do not agree that the human rights commission is doing nothing.

They have made on various human rights cases statements and they are recording and investigating complaints. They are probably not funded enough. I would think that dealing with all of these criticisms and reports takes up much of their time.

You can argue that they are not as effective as they should be. But they are doing something.

A VOICE FROM AUDIENCE. Under your accomplishments category, you mentioned the land reform bill.

Ms. NIEHAUS. Well, I do think that is an accomplishment.

Mr. NIKSCH. Is this a substantive question on land reform? Because if it is, we are going to go into that in more detail in the next presentation and I might ask you if you could hold off on that question and I will call on you the first thing after the presentation on the economic and social conditions, because we are going to get into that in some detail.

One more question in the back.

A VOICE FROM AUDIENCE. There is a question on the press actually abusing its freedom of speech. Could you explain what you meant by that? Are they damaging the efforts for reform or not? Could you explain that?

Ms. NIEHAUS. In my office, we get about four or five Philippine papers daily, and also I read the United States Embassy summary of the Philippine press as well as the FBIS reports. And it is my personal view that so many of the articles are what I would call irresponsible.

I do not know what percentage. I have not done a study on it, but many articles are irresponsible in that they print sensational things without checking the facts. Many articles are biased articles.

On balance, do I want a free press in the Philippines? Yes. And the press has contributed to what I consider a movement toward modern politics and issue-oriented politics.

I put this under the accomplishments of the Aquino government, that the Philippines has a free press. But I strongly believe, that a significant number of the articles are abusive in the sense that they are irresponsible, that they print things that they have not researched and that are emotional and sensational.

And I find fault with the U.S. press, too.

A VOICE FROM AUDIENCE. That was my next question. Is this on the Filipino press then or Western press? In other words, do we have to take what we are reading more with a grain of salt, according to your beliefs?

Ms. NIEHAUS. There have been some very thoughtful and good articles on the Philippines. In general, though, I do not think the press has done a good job of representing what is really going on in the Philippines.

There have been some individual very good articles on the Philippines in the Western press. But many Western articles merely reflect the Philippine press, instead of going out and getting the story themselves and uncovering it, they reflect what is in the Philippine press.

One of the great characteristics of the Philippines is that so many people are willing to talk their minds. So, the real job of a good journalist as well as of a political analyst is to try to sort through all of that, and it takes a while.

Mr. NIKSCH. Let us have one more here.

A VOICE FROM AUDIENCE. I would like to just speak to this issue. There has been in the Manila Chronicle in the last 2 weeks a very interesting set of think pieces on the irresponsibility of some of the Philippine journalists, calling to task the fact that there are journalists who do not check their facts, who accept stories without checking them out, and saying that this creates a problem.

I think the problem with the press coverage in this country is that they have tended to focus, because there is limited space and great competition for coverage of the world, they have tended to focus on the most dramatic, the most sensational.

Someone who wants, as I know to my sorrow, to write stories about small incremental positive things, an editor will not listen to or look at. And I think that this is a serious problem in terms of our understanding not only the Philippines, but the world and maybe even the United States.

Ms. NIEHAUS. Well said. I agree.

Mr. NIKSCH. Well we could continue this. There are some things about the press I would like to say, but I will refrain at this point. [Laughter.]

I would just note the many articles in the American press talking about Colonel Calida and his portrait of Sylvester Stallone down in Davao and how many times we have read about this, and whether this is totally representative of what is happening in the Philippines today.

But I think we have to turn to a very important issue now, and that is the economy and the state of economic and social conditions in the country. I have read a couple of very interesting things recently that rather startled me.

No. 1, the economy grew by 7.5 percent in the first quarter of 1988, about 2 percentage points higher than growth in the first quarter of 1987.

Another interesting thing was that, as foreign investment has begun to pick up, Taiwan has become the leader in new foreign investment entering the Philippines. I think reflects some of the major changes in investment flow patterns that are taking place in East Asia today. This potentially have very great effects on the Philippine economy in the future.

We know that the Congress has passed a land reform bill, and we are going to get into that. That is another very important issue.

We have I think two people today who are very eminently qualified to talk about these issues. Ranjan Pal is the Philippine analyst and preparer of forecasts on the Philippines for Wharton Econometric Forecasting Service, which is one of the major economic forecasting organizations within the United States.

If anyone has ever looked at the list of Wharton's business clients, one sees the major American Fortune 500 companies in this country on that list today.

Frank Denton, from the Agency for International Development, has specialized in the Philippines for many years. He is an expert in regard to the agricultural and rural systems in the Philippines.

He has spoken and written about the land tenure issue and the developments and changes in the agricultural system on many occasions.

And so, Ranjan, would you talk about the economy and what the outlook is for the future. And then we will have Frank look at internal economic and social issues.

PRESENTATION OF RANJAN PAL, WHARTON ECONOMETRICS FORECASTING ASSOCIATES

VIEWS OF THE PHILIPPINE INTERNAL SITUATION, ECONOMIC POLICY AND PROSPECTS

Mr. **Pal.** Thank you. It is a pleasure to be down here and to present the WEFA group's view on the Philippines. I do not know whether it is by accident or design that Larry has Frank Denton from U.S. AID and me on opposite sides of the panel.

I think it is a reflection of the way you look at the Philippines. If you look at it in a macro perspective, things are extremely bright, brighter than we expected last year. If, on the other hand, you look at it from a social and micro perspective, I think you might come up with some rather different conclusions.

I wll confine myself to the macro prospects for the Philippines and some of the structural reforms underpinning the economic recovery.

Last year was the first year of substantive growth for the Philippines in the last few years the economy grew about 5.1 percent, marking a significant turnaround from 2 years of decline in the 1984–85 period, when the economy declined by about 10 percent.

This is definitely a success that the Aquino administration can point to. It was pump priming by the government with help from its foreign friends in terms of overseas aid which helped the economy turn around. Domestic consumption grew by about 5.5 percent against an initial 2-percent target which helped growth reach that 5-percent level. The strategy that the government was following was one of trying to resuscitate the domestic market thus creating opportunities for foreign and domestic investors to come back into the Philippines. Despite the destabilization attempts and all the talk about the scaring of foreign investors, we did see a significant increase in foreign investment last year.

Last year the Philippine Board of Investments reported that foreign investments on an approval basis jumped 133 percent. That is of course from a very small base, but nevertheless it is a significant increase. Domestic investments also surged and we ended up with an increase in total real investment of about 20 percent.

We see continuations of the trend this year. In the first quarter, real GDP grew by 5.4 percent compared with 7.4 percent in the first quarter of 1987.

Net sales in key industries rose 28 percent in the first quarter of this year compared with the first quarter of last year. And if you just look at some of the significant industries, like automobiles, where sales rose 60 percent; consumer durables, about the same amount; and food products, 42 percent.

Fixed investment as a percentage of GDP has in fact increased to about 17 percent this year, up from 15.7 percent in the first quarter of 1986, over a 2-year period. Fixed investments are becoming more important in underpinning growth in the Philippines.

This is exactly what the government wants, and I think that this policy at any rate is going to be a success. Our predictions for the Philippine economy this year are 5.4 percent growth in GDP, which is three-tenths of 1 percent higher than last year.

One of the problems this has led to is that inflation has begun to pick up in the Philippines. Last year the inflation rate was pretty close to zero. In the first quarter of this year, though, on an annualized basis inflation has picked up to about 9 percent compared with zero percent in the first quarter of 1987.

This is something that the government is particularly concerned about, and it took some steps last year to cut import taxes on oil imports and thus control the rate of price increase.

This year they were faced with somewhat of a conflict. The Philippines has tried to address its debt problem by instituting a debt-equity swap program which allows foreign investors to buy Philippine debt at a discount in the secondary market and then swap it for the full nominal peso amount and then use the proceeds to invest in certain areas where the central bank would like to see more growth.

There has been a significant amount of interest in this debt-equity swap program. About 1.7 billion dollars' worth of applications have been submitted to the central bank. But the problem the central bank faces is that converting all of that amount of money from dollars into pesos will expand the money supply and lead to a significant increase in inflation.

The Center for Research and Communication, a well-respected think tank in the Philippines, predicts that inflation would rise by about 4 percent if the entire amount were converted into local currency. So, the central bank has indicated that it will restrict such conversions to about $180 million a year. Predictably, foreign investors have been considerably disappointed and have been arguing for more conversions.

One of the things the central bank has done is to reduce the transactions fees on conversions of private sector debt which does not involve the creation of new money. Now, of course the problem is that there is not that much private sector debt around in the Philippines, and the discount on it is smaller making it less attractive to foreign investors.

Nevertheless, the debt-equity swap program did have a fair amount of success in attracting foreign investment into the Philippines. Last year it accounted for about $166 million, up from $16 million the year before.

So, a very significant proportion of total foreign investment came through the debt-equity swap program. However, there are problems with the program which foreign investors have pointed to. The processing of applications takes more than 6 months, and several affidavits and other documents are required by Philippine consulates abroad.

And yet, at the end of the process there is quite a large degree of arbitrariness in terms of whether the investment is approved or not.

Also, there is a bias in the debt-equity swap program against using it to purchase working capital which would resuscitate existing plants, and that seems somewhat illogical.

Overall the program has been a success, and I expect that it will be a major engine for injection of funds into the Philippines over the next couple of years.

Turning to the balance of payments, exports, led by manufactured goods, have continued to surge. They grew by about 26 percent in the first quarter of this year, the principal earners being garments and electronics. The government has negotiated very favorable quota increases with its Western buyers and that has benefited the garments industry.

Garments exports increased about 36 percent in the first quarter while electronics exports increased 13 percent. One of the factors underpinning the Philippines' growth which has not been highlighted has been the fact that the peso has depreciated by about 77 percent against the Japanese yen since the beginning of 1986. This exchange rate realignment has tremendously improved Philippine competitiveness, as has been the case for Korea and Taiwan and other countries in the Asian region.

This has been a primary factor in increasing the importance of electronics in the total export mix in the Philippines.

Another factor that needs to be highlighted is that nontraditional exports now account for close to 80 percent of the Philippines' total exports. The Philippines has traditionally been considered as an exporter of commodities—bananas, coconuts, sugar, copper.

But that has changed quite dramatically over the last 4 or 5 years, and so the Philippines is making significant progress toward joining the ranks of Korea, Taiwan, and others as a newly industrializing country.

Of course, it has competition from others in the region—like Malaysia and Thailand that one can point to. But over the next 10 years, one can expect these trends to continue.

There seems to be some kind of a policy conflict going on between the National Economic Development Authority—NEDA, headed up by Solita Monsod, and the central bank, headed up by Jobo Fernandez.

The central bank has been trying to stabilize the peso at what it considers a reasonable level, 21 to the dollar. It has done this largely by drawing down its international reserves.

Thus it has dumped dollars on the market to prevent the peso from sliding further by uinge the foreign aid that the Philippines has received in the last 6 months.

About half of the drop in reserves of about $700 million, over the last 6 months has been accounted for by drawing down reserves.

This of course is not the right kind of policy to follow from a long-term growth perspective. The government needs to build up reserves to support the country's import requirements, and that is what NEDA has been arguing for. It would like reserves built up to about 3 months' worth of imports up from 1 month currently.

Fernandez and his team have argued for building up reserves more slowly. The World Bank would like a devaluation of about 20 percent to correct for the overevaluation of the peso.

The central bank's argument is that this would increase inflation in the Philippines and also prevent the industrial sector from getting back on its feet by increasing the cost of imported imputs. I think this argument has somewhat less relevance now as industry has begun to approach capacity.

The policy dispute has now been referred to the cabinet level and no resolution has been announced as yet. But I think from an overall long-term growth perspective, the Philippines will definitely have to build up reserves and let the peso slide.

The second factor that I want to refer to is the interest rate policy. The central bank has been manipulating interest rates up and down to defend the peso, and this of course is not particularly good from the point of view of promoting investment-based recovery.

Thus, NEDA has been arguing that interest rates should be stabilized and the peso should be allowed to depreciate.

I have touched on the major economic indicators, growth and inflation, the exchange rate, and the balance of payments.

Among the structural reforms that have been undertaken is the land reform program that was passed recently by the Philippine Congress. We predicted a year ago, that this would be a considerably watered-down version of the original proposal and it would have little effect on overall growth in the Philippine economy in the years to come. That scenario has in fact come to transpire.

I think it is a disappointing outcome for the Philippines, but given the vested class interests at play in the House of Representatives and the Senate, no other outcome could have been foreseen.

I think Marjorie referred to the fact that it was a realistic program. It is realistic in the sense that it is not going to have much effect because of its deference to class interests in the Philippines.

However, manufacturing has done quite well in the Philippines. It has been leading the expansion, growing by about 11 percent last year, and we expect about the same this year. I expect that this sector will continue to head Philippine growth over the next 5 years.

One of the other things that has come to the forefront recently is the debate on debt within the Senate. The Senate finance committee has recommended a limit to debt servicing, at about 10 percent of Philippine merchandise exports over the next 5 years which compares with a debt-servicing ratio of 42 percent last year. Such an action is not something that the Philippines' foreign creditors would look upon very kindly.

I think that this is just one of those occasions when Philippine nationalism is beginning to express itself. I would agree with Mr. Tiglao from the Manila Chronicle that the Filipino politicians are a pragmatic lot. Within the Congress last year there were similar moves that almost led to the failure of the debt rescheduling agreement.

But when it was pointed out that the Philippines would lose more than it would gain the move to limit debt servicing payments was dropped. And I expect that these present moves within the Senate will similarly die down over a period of time.

One other factor that I should mention is the import liberalization program, and that has been again reasonably successful in the Philippines. Import curbs and tariffs that have made the industrial sector quite inefficient over the last few years have been either removed or reduced.

There is the danger of backsliding though. Jose Concepcion, who is the Minister of Trade and Industry and a former industrialist, has been petitioning for a temporary stay from the import liberalization program to give industry time to recover.

NEDA has agreed to the stay over the next 6 months. Hoever, I believe the import liberalization program will continue and this will improve the efficiency within the Philippine industrial sector. That must be the route that the Philippines takes over the next 5 or 10 years if it is to become an NIC.

The WEFA group's outlook for 1988 has brightened considerably since our first quarter forecast. In terms of the Philippines' major export markets, the United States economy will grow at 3.6 percent this year, up from an expected 2.5 percent last quarter. Japan has been undergoing a domestic boom, which has led to an upward revision of our 1988 forecast from 3.5 percent to close to 5.5 percent.

Given the fact that the United States and Japan take about 50 percent of Philippine exports, this will undoubtedly have a positive effect on Philippine growth. Thus, the overall long-term outlook for the Philippines is a bright one if you just concentrate on the macro perspective. Growth will continue at about 4.5 to 5 percent over the next 5 years. The assumption that the reliance on investment and on industry will continue to strengthen our projections.

However, there are another couple of years of growth at least before the Philippines is back to where it was in 1983, before the major decline began.

I would like to stop there and take questions later on, I guess.

Mr. NIKSCH. Thank you very much, Ranjan.

I think Ranjan's point about the successes in reviving growth within the context of the decline that took place a few years ago and needing another couple of years just to bring the economy back to where it had been before this decline took place, I think leads us into what Frank Denton is going to talk about: The effects of that decline and other more fundamental structural problems on the social and economic conditions of the people and on the various internal sectors of the economy.

So, Frank would you take us from there, please.

PRESENTATION OF FRANK DENTON, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

VIEWS OF THE PHILIPPINE INTERNAL SITUATION, ECONOMIC POLICY AND PROSPECTS

Mr. DENTON. Thanks, Larry.

First, I am a foreign service officer with AID, but I am speaking personally. I do not have any official responsibilities for the Philippines.

I very much agree with most of what Marjorie had to say on the major advances the Aquino government has made on the political democracy front, if you will. Also Ranjan, who I think has described reasonably well the aggregate economic progress that has been made, although some of that is reflective of a change from a very low base, those years of decline.

On the other side of the coin, I think the record on the economic front still remains to be written. There is a big difference between the economic problems of the country and the rate of aggregate economic growth, and I will try to expand a little bit on that.

To go back just briefly to the question of politics for a moment, I think the Aquino government is unique in Philippine history. I am very doubtful that you could have ever had a government with the power base that exists today except as an anti-Marcos government.

If you make some crude breakdowns of the Philippine electorate, maybe you are talking about 3 percent of the population as an ultraelite, maybe 20 percent middle class, largely urban, and most of the rest of the people are rural and poor.

This government tends to represent the 3 and the 20 percent, and that is not true of any prior government. I suspect it will not be true of the next government, because you do have 75 percent of the electorate in a democratic system who are not urban and they are certainly not rich.

It is a very poor country out in the rural areas and, while issues of political democracy are very important for the people in the city, for the 3 and 20 percent, as I call them, it is issues of day-to-day economics that tend to be most important for most of the people.

Let us look a bit at some of these economic questions. I would like to try to go below the aggregate economic growth rate and look at some of the compartmentalization that tends to occur within the economy.

If we look at the period between 1983–86, this particular part of Philippine economic history related to political problems in considerable measure. However, you are not talking about the fundamental economy of the Philippines if you talk those years.

During most of the sixties and seventies, you were getting the 5- or 5.5-percent growth that Ranjan was talking about for today and the future. Yet, if you look at the countryside, for many sectors the growth was zero or negative.

And if you take that further, there was a good deal of regionalization in it as well. Parts of Luzon did very well, particularly irrigated rice areas, because there was a massive investment in irrigation. And there was technological change in the high-yielding varieties of rice that go along with irrigation. Yet corn and coconut did very poorly. In neither sector did the growth rates keep up with the population growth.

Therefore, the populations dependent on corn and coconut probably experienced real income decline while the aggregate incomes were going up in the 5-percent range. And something like two-thirds of the people survive off of corn and coconut. It is not a rice economy in the countryside.

There is a tendency to take problems that have accumulated over a 20- or 30-year time period and attribute them to the very bad government of the latter half of the Marcos era. And perhaps a little bit as an aside, I do not think one should fool oneself and say that this was a problem of a particular government.

The problems that were evolving over this time period were structural in nature, exacerbated by the Marcos failures, but not caused by it. I think the basic structure that existed still exists, though clearly there is change, ambiguous because not all agree with it at this point in time.

You had a basic structure that existed at independence where agricultural exports were large with respect to the needs of the economy, large with respect to the population. Agricultural exports were used to fuel an industrialization almost wholly dependent on imported products.

Industrialization, the ag exports, but more the growth in manufacturing, fueled a reasonably good aggregate growth rate and, perhaps as important as anything else, created for the Philippine leadership, the Philippine educated classes, a feeling of modernization taking place in the country.

On the rural side, there was expanding land area. This frontier allowed for the absorption of a larger and larger rural population.

The industrial sector was very capital intensive, did not create many jobs. So, the new jobs, the new income opportunities, were created in the rural sector through the process of opening new lands.

What happened was that the frontier ran out sometime in the sixties or seventies. At that point you had an economy that was somewhat out of keeping with the resource base. You had this very inefficient industrial sector—import dependent and high cost. Therefore it could not export.

It produced very high profits for the people who were involved in it and not too bad incomes for many of the workers as well, at least by Philippine standards, but did not create many jobs.

When the frontier ran out, you had the problem of continuing population growth and not much in the line of absorption of labor in the manufacturing sector. In fact, from the period of the mid-fifties through 1982 or 1983, before the decline, manufacturing was contributing a decreasing proportion of total employment, not declining very rapidly but still declining.

I think this is probably the fundamental problem that exists in the Philippines today. It is the direct antecedents of the problems of poverty and maldistribution of income that exists.

From all of the estimates that are available, during the time period when growth was in the 5-percent range, real incomes for most of the population were declining. More and more of the rural population was being excluded from the real economic opportunity.

There was an increasing number of landless. More and more people had to go into make-work types of jobs. They had to become street corner vendors. For the 20-odd years that I have been associated with the Philippines, the number of cigarette vendors on the corners in Manila expanded astronomically, as have the number of beggars and others.

I think the government clearly recognizes this, parts of the government clearly recognized it as early as 1970. And again referring to some of the statistics, perhaps from Ranjan's talk: Electronics and garments were pursued very intensively as solutions, both to the need to generate more foreign exchange, because ag exports were no longer large enough to fuel the modern sector, and to try to provide employment opportunities.

But these were done in some measure within export processing zone contexts, and were—I do not know whether it was intentional or otherwise—were kept compartmentalized from the modern sector, and therefore had a relatively small effect on this inefficient, high-cost modern sector.

And perhaps the conflicts that you read between Monsod of NEDA and Concepcion of Trade and Fernandez of the Central Bank still reflect some of this question—how are you going to create a modern sector, how are you going to create a Philippines that has enough economic opportunity for all? Because those who control the industries, the capital plants, although they are not as powerful as they were 15 years ago, are certainly still very powerful and continue to be uninterested in competition.

If we look rather briefly at what the impact has been on the people in the countryside, you see patterns that are not perhaps widely recognized at this point. The countryside is not an agriculturally dependent countryside. Mindanao is an exception because the population pressure is so much lower in Mindanao.

But if you look in Luzon and the Visayas, it varies from province to province, but anywhere from 40 to 75 percent of family income comes from nonagricultural activities because of the scarcity of land.

If you look at time trends, you find that, although aggregate family incomes have been going down, they have been going down modestly. People have been able to maintain on the average their income levels with a small decline. But it has had to take place with more of the family working.

While population is growing at 2½ percent or so, labor force tends to grow at 3½ to 4 percent. It has put the pressure on to find jobs for more and more people.

They have also had to go into migration as a solution, the movement of people out of the countryside into the cities, the movement of Filipinos out of the Philippines to any job opportunity anywhere in the world. And some of this has been socially very disruptive, and I would particularly cite what is an increasingly common problem that is discussed in the Manila press, and that is the 80,000 or so Filipino entertainers in Japan.

Most of these, from all that I can determine without any real statistics, are young women. Many are from the rural areas. This is a process that is very much in conflict with traditional Philippine social values.

These young women are in Japan supporting many other members of their family. You see the same thing in domestics. Particular areas that have been discussed recently in the press are Hong Kong but it is worldwide—educated women working as domestics, because there simply are no economic opportunities in the countryside.

Just to touch on the question of land reform for a moment, it seems to me that this government has been very oriented toward political democracy and made an enormous amount of progress, attempting to get the urban economy back into shape, because it is an urban government in considerable measure.

They have looked, from what can be determined from here at least, toward land reform as a means to address the rural areas of the country. I am very fearful that that is not a very relevant move. There just is not enough land.

I would like to celebrate some of the statistics on sources of family income I mentioned earlier. In some provinces people report that as little as 15 to 20 percent of total income comes from agriculture. If you look at the aggregate data, only about 2 percent of national family income is reported to come from agricultural land rents.

And this land rent is very widely spread. Something like one family in five reports that it does receive land, agricultural land rent. Many of those people have got to be poor.

We know from other statistics that when you get into elderly couples, maybe they have a hectare of land somewhere. They are renting it out or leasing it out. We know that many of the beneficiaries of the irrigation and miracle varieties of rice turned around and subleased their land. These were not rich people.

And so if we are talking about land rents, there are no accurate data on it, but perhaps no more than half of agricultural land rents could be redistributed through a land reform program.

If we are only talking about 2 percent of national population—of national income, that means that half of the land rents are already going to poor people. The most you could hope for is perhaps redistributing 1 percent of the aggregate income, which is money that is going from poor farmers to relatively wealthy landowners.

You are not talking about very much money. No matter what kind of redistribution you have, when you are talking about 70 percent of the people being in poverty, it is not going to have any impact.

While there may very well be an absolute value in owning land, I think the real value that has to be associated with any land reform effort is its economic impact. Will the redistribution of land within the limited context that it is being proposed change the situation of widespread poverty in the countryside?

And I think the answer is clearly "No." There is not enough land, there is not enough income. We are talking about something like 1 percent of national income as potentially available for redistribution.

I suggest that it is not going to have much of an impact. And so the symbolism of a land reform program may be fairly powerful in the initial year or 2, but the economic consequences are going to be rather minor. You will still end up, until you change the economic structure, with most of the countryside being in poverty.

And it is not clear at this time whether the economic restructuring is going to be undertaken or not. There clearly are divided attitudes on it. Some of the changes that are going to have to take place in the economy to make it competitive are going to revolve around the questions of the value of the peso, and that has been something of a sacrosanct point in the Philippine economy.

Nationhood is related to keeping the value of the peso up. It also happens that the elite benefit from a high valued peso. It is related to whether some of the inefficient companies in Manila are going to be allowed to go broke because they cannot compete, or are they going to continue to be protected, as Concepcion and many others would prefer to have.

And I think that, as I said at the beginning, is a record that remains to be written with respect to this government. And while giving the highest accolades for the return to democracy that has taken place at a very rapid rate, as Marjorie says, and saying that there has been a lot of good in getting the aggregate growth rate back up in the 5- and 6-percent region, there is still a task that remains to be done, and it is not clear where they are heading on this one.

Thanks.

Mr. NIKSCH. Thank you very much, Frank.

Now, we had a question right here that I promised we would take up first.

A VOICE FROM AUDIENCE. I do not know where to begin now. But economically speaking, on land reform, when you are saying it is not really going to help, do you mean just short term? Do you think long term you might see it being beneficial?

Mr. DENTON. I am fearful in the long term that it is a negative, but I am not sure of that by any means. In the short term, all I was attempting to say is that most of the people in the countryside get a major portion of their income outside of agriculture.

Land reform is only going to redistribute a little bit of income within agriculture. Therefore, if most people are poor, very poor, you are going to take a small part of their economic activity and redistribute a small portion of the income in that economic activity.

You are not going to change the fact that they are poor. There will be a few people pulled up, but you will still end up with a large percentage of the rural population very poor.

A **Voice From Audience**. OK. Also on that—and I know there is a lot of policymakers here that want to address the land reform issue and provide legislation to help and aid. Where should they aim?

If this bill in fact is going to be implemented—I read things that there might be court appeals, that some of these vigilante groups may be hired to protect the landowners, and that also Aquino may not give up her land holdings. And so if it is implemented, where should they aim their legislation?

Mr. **Denton**. Elsewhere. [Laughter.]

A **Voice From Audience**. You are saying not even to address it?

Mr. **Denton**. I have a view that I do not know that you can guarantee is all that accurate, but I think that if you look at the Philippine economic leadership, they have had the concept of modernizing the economy, modernizing the country, by concentrating on modern industry and leaving the rural sector as a poor sector of self-sufficiency in terms of its food production.

If you take a hectare of corn land, you can produce a couple of hundred dollars a year off of it. If you produce coffee or pineapples, you might produce 10 times that much income off it.

It seems to me that it is possible to think of a modern Philippines with highly intense use of land, with all of the modern attributes that go into the countryside—roads and schools and processing plants for your agricultural product. That that ought to be the thrust of the future for the countryside, rather than redistributing a very limited amount of income that is produced with these low valued crops, but to take the countryside and to bring it into the 20th or 21st century.

By using your land very intensively for the highest possible economic return, will develop a very sophisticated and modern country. Agriculture should not be thought of as backward and primitive.

Mr. **Niksch**. Marjorie, did you want to comment?

Ms. **Niehaus**. I am not qualified to talk about the economic impact of the land reform act. And Frank said he thinks it is going to be negative. He is talking about the economic impact primarily, or were you?

Mr. **Denton**. No. I do not believe that the Philippine rural dweller will think that there is any value to a land reform program that is implemented. And I guess that is a political decision.

Ms. **Niehaus**. I guess I was going to say, I do think it is a modest accomplishment in the sense that the act itself—and there certainly are questions if it will be implemented, as you said in your question.

There are people—but the act as I understand it will touch about 2 to 3 million farmers. And also, it is a comprehensive program, which is the thing that quieted some of the—I mean, there has not been a great deal of, in the Philippine political context, a great deal of reaction from the left or the right on this.

I mean, there has been reaction, but nothing—I mean, I think the fact that it is a comprehensive act and the fact that it covers all segments and so on, even though there are groups who are for certain things, it has quieted some of the breakout of reaction against it which was expected.

And I think basically it is a modest accomplishment in the short term. I think it is a political plus, but whether it is ever implemented is another story.

Mr. DENTON. I agree, in the short term. I would put that out 2 to 4 years.

Ms. NIEHAUS. Two to 4 years, that is great.

Mr. DENTON. I do not disagree with that, Marjorie.

Mr. NIKSCH. Rick Kessler.

Mr. KESSLER. I had a question for Ranjan Pal on the debt situation in the Philippines, which he really did not allude to. What is the possibilities of renegotiating Philippine debt, and to what degree do you think, for example, the recent agreement with Brazil might affect those talks with commercial banks?

Mr. PAL. Well, I think the current rescheduling agreement will stay in place. I did allude to the fact that there are some discussions within the Senate finance committee toward holding down the debt servicing ratio to 10 percent, which would I think lose the Philippines much more than it would gain, because in terms of commercial credits, in terms of trade financing, and in terms of officially, the Philippines would lose something like $2 billion.

And the savings that it would make on the interest payments would be nowhere near that amount. I think those are considerations which prevented them from taking this kind of an action last year.

And so to answer your question, I think the rescheduling agreement will stay in place. I think that it will probably ask for more new money this year, but most of it seems to be coming from official dollars.

Japan has—I think the finance secretary has been asking for about $1.4 billion in aid—$800 million of that would come from Japan; $250 million from the United States; and $350 million from the World Bank.

And so they seem to be getting whatever their requirements are from official sources. So, over the short term, I do not see any real change.

I would just like to get back to the land reform question. In terms of the bill that has been actually passed—and I think President Aquino has said that she will in fact sign this into law.

Ms. NIEHAUS. She has signed it.

Mr. PAL. I would just like to point out some of the major components of the land reform program. One is that landowners can decide to distribute profits from the land, rather than actually redistribute the land. This is a provision that is sure to be abused. I think it is a major loophole.

Another is that over the next 4 years only holdings over 50 hectares will be affected. This is a very small fraction of the total privately owned land in the Philippines.

Thus, over the medium term landowners do not have a whole lot to worry about. So, if anything, the vigilante actions that they have been threatening will be less evident.

A couple of other more positive factors should be mentioned. In terms of the land that is going to be redistributed, about 5.4 million hectares of that is government-owned, land which has been repossessed by the government.

That would really be land that they can go ahead and redistribute straightaway. So, the program is not as bad as it seems, because only 1.5 million hectares are in coconut, banana, and sugar plantations. That is the phase of the program that has attracted the most controversy and is most likely to be ineffective.

There is also an economic argument to keeping some of the holdings large there because that would help people who operated them exploit economies of scale and be more efficient in farming and thus support Philippine commodity exports.

So, there are arguments on both sides as to whether you should be redistributing plantation land.

Another loophole in the land reform program is that limits have been set at 7 hectares per landowner. But they are also allowed to keep 3 hectares for each direct heir in addition.

Whether the definition of "direct heir" includes sons and daughters or grandsons and granddaughters as well is not clear. Thus, there are all kinds of loopholes that will prevent this piece of legislation from being particularly effective.

A long line of Philippine Presidents from Magsaysay to Marcos have tried to push land reform. And in fact, this program attempts to complete the redistribution of rice and corn lands that had been actually started under Marcos.

Mrs. Aquino had a golden opportunity to sign the land reform into law when she had decreemaking powers before the legislature was convened last year.

She decided not to do so and leave the details of the law to the Senate and the House of Representatives. I think there were probably democratic reasons for her wanting to do so, but at the same time it did take a political hot potato off her hands at a time when there was an incredible amount of protest from both the right and the left.

By leaving the details and implementation up to the Congress means de facto that the land reform program would not be very effective.

Mr. NIKSCH. We had a question in the back.

A VOICE FROM AUDIENCE. Yes. I wanted to follow up Rick's question on debt relief.

Mr. NIKSCH. Could you speak up, please.

A VOICE FROM AUDIENCE. Yes. I just wanted to follow up on the question on debt relief.

The question I had was, If one of the many debt relief programs that is floating around, the Bradley plan or variations thereof, were adopted, would that—how would that impact in terms of Philippine capital flows? Would that be more beneficial, for example, than the kind of Marshall plan stuff that is being talked about now?

And how does it figure in the total capital-flow situation?

Mr. PAL. I think most of the capital flows into the Philippines over the last 2 years has been in the form of what you would call involuntary or official lendings.

The Marshall plan is just an overall let-us-get-together-and-make-the-pot-even-bigger kind of approach that the United States has been taking. Let Japan take some share, and Germany some, and so on and so forth.

Thus, the United States is trying to broaden the scope of the aid package in terms of official donors. Private capital flows have picked up into the Philippines, as I mentioned earlier, in terms of foreign investment but over the next 2 or 3 years, the bulk of the financing is going to have to come from official sources.

Mr. NIKSCH. We had a question over here.

A VOICE FROM AUDIENCE. Yes. I did observe that both the speakers made use of the term "vigilantes." To the credit of Ms. Niehaus, she did use the term "civilian volunteers."

In the Philippines, this is really a civilian volunteer association. But apparently, over here in every discussion the insistence on the use of the term "vigilantes" is really prevailing.

I wonder if this is really a case of what the previous speaker took upon sensitizing ourselves, sensitizing ourselves to our culture.

It is reminiscent of the NBA agreement, where here the perception is aid and in the Philippines the perception is rent.

And so what I would like to say is, in the Philippines this is really a civilian volunteer organization, and the perception of vigilante as it exists here in the United States—there is a great difference in the composition and the intent of these civilian organizations.

And second, I would like to point out the observation about human rights violations. I have heard so many times the term "human rights violation," but I am still waiting for somebody to define what is a human rights violation, because if the definition of human rights violation is defined—is it a matter of quantity or a matter of where the government condones it or sanctions it?

If you define the presence of human rights violations because the government sanctions it, or a matter of quantity in the abuses, you will find out that, if you are to run a survey, how many governments have put up a commission to check on human rights violations, I do not know whether in addition to the Philippines you would be able to cite other governments that have put specifically commissions to check on human rights.

We do have excesses by members of our armed forces, as well as the police. But I honestly ask you this question: Which country is not guilty of a commission of some excesses in their own policemen or by their own armed forces?

Mr. PORTER. We are going to be discussing this.

Mr. NIKSCH. I was going to say, we have within the next 2 or 3 minutes, because I am only going to take one more question on the economy—we are going to turn to the insurgency and counterinsurgency. And then this afternoon we are going to be talking about the U.S. military assistance program, which of course does get into some of these issues as well.

So, if we could stick to the economy, at least in terms of the last question, so we can finish and then move on to the insurgency issues, because they are very important.

Let us have one more question over here, please.

A VOICE FROM AUDIENCE. My question, Larry, is concerning the economy, and I think it is a good topic to return to. I think it is very heartening that political democracy, as Marjorie Niehaus, and also the creation of wealth, at least at the aggregate level in terms of very good trends that are showing in terms of, modest though it may be, but growth in the economic sector, particularly with certain industries, as depicted by Mr. Pal, are very, very heartening trends.

At the very same time, Mr. Denton has really focused on, I thought, a very, very vital question. He sort of did not really raise the question, where the impact of the political democracy and the economic growth on the majority of the people, which is at the level of the rural poor, which consists of most of the population of the Philippines.

And when you raise the question of population growth, which of course we have not touched here, as it impacts or as it interrelates here into economic trends or economic development and the political democracy aspect of it, and the growth of the informal sector and the fact that, for instance, the displacement of people, considering that land is not really that much enough for whatever plans that land reform and economic development has for it.

And it raises the question of—and I am coming to that question—of considering the growth of the informal sector, and considering the large proportion of the Philippine population which is the rural poor, what have—Mr. Denton particularly, if you have had a chance to observe or make observations about the fact that the Philippine Government has had an ambitious plan called the Mid-Term Plan, where the No. 1 basis of the plan was to reduce poverty, which of course is aimed toward the rural level?

What, if you have made observations as to what progress that perhaps the government has made? Would you be able to comment on it as it impacts on the rural poor? And if not, what kinds of scenarios, considering you have had expertise on the rural aspects in the Philippines, would you be able to briefly mention in the context of economic development and growth to be able to facilitate economic democracy?

Mr. DENTON. It is difficult to answer very accurately the first half of your question. My perception is that, not altogether wrongly or unexpectedly, the emphasis within the government has been on the restoration of political democracy, in which they have made an enormous amount of progress. And that is consistent with the power base of the government, which tends to be urban and middle class and upper class.

And on the economy, it has been getting back to a 6-percent growth rate or thereabouts. The kinds of problems that you are addressing and I was alluding to involve structural change, and that does not come in 2 years.

First off, it is very difficult to understand where you ought to be going. It is a very inexact science, if a science at all.

And there is not—while there was clearly a consensus in society at large, particularly among the members of the government and their particular constituency, to restore political democracy, there has been a number of references this morning to disagreements in perspectives on the question of possible economic restructuring.

The arguments about land reform have only been part of that—the discussions between Fernandez and Monsod that were referred to on the value of the peso, the longer history of questions between Concepcion and Monsod on import liberalization.

When you talk about the ultimate consequences of that, I do not think there is a government view of where to head on that side.

And the second half of the question with my own understanding such as it is, I do not see any choice for the Philippines except to reformulate their concepts of the countryside and to move away from the idea of self-sufficiency, to emphasize exports and using limited land area for the highest possible economic return, whatever that may be.

And second, to take the modern sector and to force it to become competitive, painful though that may be in the short run. In the long run it is necessary.

But I do not know what the government will come out doing on that.

Mr. Niksch. I know we could go on with this, but we have two more topics to cover. But it is 12:15. I am going to be very strict in confining the next session to one-half hour, and I will ask our speakers to speak for about 15 minutes, so we would have some time for questions after that. That should put us into the lunch period shortly after 1 o'clock, which hopefully will still give us enough time to get back and reconvene at 2 o'clock.

So, could Gary and Rick take their places at the table, and we will start with the discussion of the insurgency situation.

And I would like to thank our speakers, who I think did a very excellent job.

Gareth Porter is with us today from American University. He has written very extensively on the Philippines, especially on the insurgency situation, over the last few years. He has a major monograph on the trends within the Communist Party of the Philippines, the debate within the party over strategy, that was published by the University of Hawaii 2 years ago.

He has followed up on that major monograph with some very informative articles, one in the SAIS Review of last summer and a second article in Problems of Communism, in I believe the September and October issue of that journal.

Gary has been to the Philippines on a number of occasions. He has talked to people there who are very knowledgeable about what is going on and what is the thinking within the insurgency movement. I think he will be able to enlighten us to a considerable degree and give us his perspective on where the insurgency is today, where it is going tomorrow, and how effective are the government's policies in dealing with it.

Gary.

PRESENTATION OF GARETH PORTER, AMERICAN UNIVERSITY

VIEWS OF THE PHILIPPINE INTERNAL SITUATION, INSURGENCY AND COUNTERINSURGENCY

Mr. PORTER. Thank you.

I want to make four points about the insurgency and then discuss very briefly my view of what the government has done and what it ought to do on the problem of insurgency.

I do not think I have to tell those of you in this room that the insurgency in the Philippines has been fueled by a number of basic socioeconomic problems. Inequalities in land distribution, of course, have been a primary problem, which has already been discussed earlier. But there is another problem that has not been mentioned, and that is landgrabbing. That means that small landowners, particularly in Mindanao, have lost their land to local notables, political figures, mayors, and their cronies, others who have had access to the courts and to the bureaucracy and knew how to manipulate the law or to go outside the law in order to get their lands.

There is also the problem of the criminal justice system in the rural areas, which I think has been referred to briefly. The absence of any functioning justice system was a grievance that the Communist Party in the Philippines was able to exploit.

And in addition to these primary causes of support for the insurgency, there are also secondary grievances which were generated by the government's attempts to suppress the insurgency in the 1970's and early 1980's. That is the repression of church-related or other groups that sprang up attempting to protest against certain local abuses by officials—corruption, landgrabbing, et cetera.

When that happened, of course, the Communists and the NPA were able to step in and become their allies and protectors, and to draw additional support from those groups who were being suppressed by local governments and by the military.

There were military abuses in the late seventies and early eighties, up to the end of the Marcos regime, which according to most observers in the Philippines and from outside, was probably the single most important generator of support in the Barangays for the NPA.

The Communist Party and the NPA were able to translate these social and political grievances into support through the mechanism of mass associations. This is a primary point to grasp in terms of how the insurgency has built an organization in the villages that has sustained the military as well as the political movement in the Philippines. The most important mass organization is the Peasant Association. That has functioned in three ways to stabilize and institutionalize support for the NPA. The Peasant Association has represented tenant farmers in negotiations with landowners in terms of the rent and division of costs for production. It has represented the landless agricultural workers in negotiations with landowners for the wages of agricultural workers. And finally, it has represented farmers generally in negotiations with the moneylenders in terms of interest rates.

What this means is that the NPA has stepped in and applied the threat of force, if you will, against landowners and moneylenders, to introduce a political factor into local economic relations. It has skewed the market in favor of the landless and poor peasants in their relations with the better-off strata in the countryside.

These mass associations have given the NPA a sort of core political base which I think is relatively stable over time. That is the hard core of support for the insurgents.

Now, outside that core there are layers of support which are softer, which may be peeled away or which may fall away in changing political circumstances as things, such as the Aquino government coming to power.

The second point I want to make is that militarily the NPA is not a formidable threat. It is not about to sweep into power on the basis of its military forces. The total strength of the insurgency, including the full-time guerrillas and part-time local militia, may be somewhere between 22,000 and 25,000. But the armed strength of the NPA, in terms of high-powered rifles, is apparently only 6,000 to 7,000.

This distinction between armed and unarmed guerrillas is an important one, because the Communist leadership has said that they can only shift from the defensive stage to the strategic stalemate stage, meaning essentially military parity with the government, when they have achieved a certain level of armaments—25,000 rifles was the initial estimate of what they needed to be able to complete the defensive stage and get to the stage of military parity.

I think they are very far from that and they have not really advanced toward that stage since Aquino came into power. In fact, it is very ambiguous whether they have really made any significant progress since early 1986 toward that goal.

The NPA are going to have to acquire not just 20,000 more guns. They are also going to have to have heavy weapons if they are going to have any hope of challenging the AFP. Even if they have 25,000 armed guerrillas, they are really not going to be able to stage raids in which they can hold onto towns and other major targets and hold them against an AFP counterattack unless they have heavier weapons than they now have, such as mortars or rockets.

They simply do not have that kind of weaponry, and they are not going to get it unless the Soviet Union changes its policy. Contrary to speculation which has been voiced over the last few years, there is really no evidence that the Soviet Union has changed its policy of courting Manila rather than courting the guerrillas against the government.

This is a crucial problem for NPA strategy. They have held to a strategy of people's war, protracted armed struggle, for about 20 years now. They are, I think, in something of a strategic crisis in the sense that they are not really getting closer to the stalemate stage of the armed struggle.

And there are many in the movement, even at relatively high levels—and I am talking about central committee members or above—who question, who have questioned whether "protracted people's war" is a viable strategy for the NPA. These cadres suggest that CCP should look to broader united fronts with more liberal elements in the society who may have something in common with them in terms of socioeconomic change and independence from the United States, and also look to urban insurrection roughly along the lines of the 1986 "revolution that swept Aquino into power, rather than to a traditional armed struggle, ending with converging armies coming from all sides of Manila to liberate the capital.

In 1986 and 1987, there was a brief flareup of internal debate and struggle within the party, which essentially was put down in early 1987 by the orthodox leadership of the party. And those people who were calling for a change in strategy or for at least a major reconsideration of strategy are now in full retreat, in part because the war resumed in early 1986, largely because of the party leadership's decision not to extend the period of ceasefire. At that point then, the leadership basically insisted on reestablishing the orthodox strategy of protracted people's war.

My own view, however, is that this debate within the party is bound to recur in the future, simply because the NPA does not have the capability to win a military struggle and is very unlikely to acquire that capability any time in the future.

The second point I would like to make is that the CPP and the NPA have clearly lost some support both in the countryside and the cities as the Aquino government has reinstated democratic forms, particularly elections at all levels. The Philippine people have had a longstanding romance with the electoral process, and that has certainly been a major factor in the peeling away of at least one level of the support for the insurgency.

Part of the mass base, as it is called, in the countryside, including some people who were involved in the mass organizations organized by the NPA, have lost some of their enthusiasm for armed struggle. Some of them feel that the revolutionary movement ought to try to use democratic politics to accomplish its objectives. Others, of course, feel that that is an illusion and are quite critical of that, and this is part of what the debate in 1986 and 1987 was about.

There has also been some alienation over the past year in the urban areas on the part of some of the front organizations who have been allied with the insurgents in past years, over the use of sparrows, the urban armed partisans carrying out assassinations of policemen and military personnel.

And finally, there is some evidence that recruitment has dropped off. Certainly the rate of increase in terms of recruitment has slowed down or virtually stopped. I would add, however, that one has to be careful about drawing overoptimistic conclusions from this evidence. First of all, the core of the base of political support, as I have suggested earlier, is essentially intact. Second, the dropoff in the rate of recruitment does not mean that the NPA is unable to recruit sufficient numbers of youth to replace its casualties and those few, relatively few, who have actually surrendered to the government. AFP intelligence estimated in 1986 that the NPA had access to as many as 2 million young people of military age. That would include young women as well, since they do have women in the guerrilla forces. The problem is not that they do not have enough young people who are willing to go into the NPA. They have made a decision for their own reasons not to try to recruit as many people into the NPA over the last couple of years. One reason for that is the lack of arms. They simply do not have the armaments to give to new recruits, and that has clearly affected their decisionmaking on recruitment.

But the second and even more important point, is that there has been a reconsideration of whether they really want to attempt to grow militarily as rapidly as they have in the past in large part because of what has happened in Mindanao.

Mindanao was the area where the most rapid military growth took place in the early mid-1980's. It was there that the CCP and the NPA had a major problem of being infiltrated by the AFP with deep penetration agents, DPA's, or zombies, as they are sometimes called. That created very great confusion within the party and military organization, which had the effect, among other things, of giving impetus to the rise in Davao City of this Alsa Masa vigilante organization.

I do not want to go into the details of that, but clearly there was a realization at the top level of the party, even before the arrest recently of several top party leaders, that something is wrong in Mindanao and that the party had to firm up its political base and be much more careful about recruiting people into the military. So, I think they have made a deliberate decision to slow down recruitment and to work much more at screening out who is going to get into the military, making sure that they are not DPA's.

To summarize, I would not expect dramatic changes to take place, either in terms of stripping away support for the NPA or rapid expansion of support for or increase in the size of the NPA in the coming years. I think there are going to be shifts back and forth in terms of additions to or subtractions from the total mass support. But it is not going to either cause the NPA to disappear, or bring them into striking distance of a breakthrough. We are faced with a long, heavy, costly stalemate, a bloody stalemate in the Philippines, for as far into the future as I think anybody can see.

On counterinsurgency policy, I will briefly state my belief that conventional counterinsurgency strategy and tactics—that is, a strategy that combines counterinsurgency military operations, with social services and increases in the rate of growth in the economy—has not worked in the past and it is not going to work in the future in the Philippines.

A successful strategy, as I think the brightest officers in the AFP are well aware, would require a redistribution of power, status, and to some extent economic resources.

And the second point is that the kinds of operations that the AFP has carried on in the past are likely to be a greater hindrance to progress than a contribution to progress in that regard.

The kind of operations that the AFP has carried out in the past have been operations which are aimed, first, at trying to identify and pick up, arrest, or otherwise neutralize the political organization in the villages; and second, to deny resources to the NPA by controlling the population's access to those resources, by controlling the movement in and out of the villages, and by otherwise exercising very close, strict population control.

These kinds of operations have ultimately had a detrimental political effect on the ability of the government either to maintain popular support or to strip away support from the insurgents in the villages. By the time the military gets to these villages, the NPA has already organized mass organizations—they already have these organizations in place. What the military is doing is simply to reinforce the existing social, economic, and political ties between population and insurgents in the village. So, these operations, as I think many AFP officers are aware, have not really been successful in terms of reversing support for the insurgency.

The second point I want to make about counterinsurgency strategy is that the military does not have the human resources or the economic resources to carry out a conventional counterinsurgency strategy. They do not have enough manpower to achieve the requisite superiority of 10 to 1 or more over the insurgents. As I have stated, the insurgents control enough of a pool of manpower in the countryside that they can easily make up for any losses due to casualties or surrenders through recruitment as they wish.

Third, conventional counterinsurgency strategy requires that the military is going to have to gobble up much more of the resources of the Philippine budget than the Philippine Government can afford. It means sort of cannibalizing essentially the budget, taking away resources from education, health, nutrition, and so forth and giving them to the military.

So, I think that the Philippines needs a nonconventional counterinsurgency strategy. By that I do not mean the use of anti-Communist vigilantes. The AFP has tried the vigilante route; the Alsa Masa vigilante organization in Davao City, which is supposed to be the classic case of a spontaneous reaction to communism, was never really all that spontaneous. The military was involved from the beginning in constructing Alsa Masa. From the very beginning you had exsparrows from the NPA who were afraid of discipline, who got in touch with military people and who were helped from the beginning in organizing an anti-Communist organization.

You have the Tadtad, which has already been referred to, who have been notorious for chopping people up and other atrocities, and other religious cults who have been integrated into vigilante organizations, and the government has not yet summoned the political will to denounce or to cut their ties with them.

Just last week General Devilla, the Armed Forces Chief of Staff, gave an interview in which he said, "These cult organizations have been around forever in the Philippines, and we just have to accept that they do not understand human rights the same way Westerners do, and there is really not much that can be done about it." This kind of attitude that the Philippine military is taking toward the abuses of some of these vigilante organizations that they are tied up with is very disquieting.

My own view is that you are going to have to have a fundamentally political approach to the insurgency. Part of that approach is going to have to be real political reform. That means an electoral system which is going to be much more consciously organized so that the poor can find representation whether it is through some legal Communist Party or some reformist party that represents some of the interests of the poor.

There is going to have to be some conscious effort to reform the political system so that many of those people who now see only the reliance on the NPA in order to advance their interests economically can do so through the political system.

Second, I would say that government offers of a ceasefire and peace negotiations with the NPA and the CPP frighten the Communist leadership more than anything else. The Communist leadership was afraid that peace would cause a fundamental crackup, a loss of commitment to the insurgency, and I think that is a clue as to the direction in which the government ought to be moving.

Thank you.

Mr. NIKSCH. Thank you very much, Gary.

We have time for a few questions.

Yes.

A VOICE FROM AUDIENCE. Just a very quick question.

The decline which you have quite described in the recruitment or manpowerwise of the membership in the NPA, you did not touch on something that somehow has been mentioned in the press including such publications like Soldiers of Fortune which indicate, according to these reports, that former NPA's have become part of the civilian movement or defense movement or vigilantes, whichever term one would use.

The fact that the presence and the involvement of the former ex-NPA's in the vigilante or civilian defense groups has now sort of triggered and wiping them off of the NPA.

Have you made observations as to, No. 1, how accurate those reports are; and No. 2, if they are, is that a significant phenomenon?

Mr. PORTER. The problem of purges within the party and within the NPA in response to what has happened in terms of ex-NPA's and the DPA problem, certainly——

A VOICE FROM AUDIENCE. It is sort of removing the former NPA's who are now part of the civilian defense as paid volunteers or the core of that or a component of the civil defense movement or the vigilante movement.

Mr. PORTER. Well, I do not know what percentage or how important those ex-NPA's are. Probably, in absolute numbers they are pretty small.

But what I was responding to was the problem of the confusion and panic within the CPP and the NPA over this whole DPA problem. It is clearly very seriously discombobulated the party and military organization. It has forced them to reevaluate their whole recruitment strategy, and has caused them to step back, in fact, I would say, one-half of a stage in terms of their planning for the future.

I think they are very much afraid now of the infiltrating. When they first discovered the DPA's, they did obviously begin to carry out a very wide purge within the party. In some cases, some of the innocent got caught up as well as the real DPA's.

In both cases, both the real and the suspected DPA's who were not left the movement and came to the government and in many cases joined these vigilante organizations. So, that has been a serious problem for the insurgents.

Mr. NIKSCH. I have just been told that both Gary and Rick have to be about two blocks from here at 1:15. So, let us take a couple of more questions, Gary, and then we will move on to Rick's presentation.

Yes, let us take this one back here, please.

A Voice From Audience. Sometime in mid-1987 Newsweek magazine reported that the White House, notwithstanding its Iran-Contra problem, authorized the launching of a multimillion dollar counterinsurgency program in the Philippines.

Would you, Dr. Porter, have any knowledge about this alleged operation; and what role, in fact, is the United States playing in seeing to it that the problem of suppression or subversion or insurgency is contained in the Philippines?

Mr. Porter. I am not sure. Maybe Rick can help on this. I am not sure.

Are you referring to that story about the CIA building up its capabilities in the Philippines?

A Voice From Audience. Yes, sir.

Mr. Porter. I do not have any inside dope on that. I just assume that the kinds of things that the CIA is going to be involved in are basically the paramilitary side of counterinsurgency, which means much the same kind of thing that the AFP has been trying to stimulate and support in the Philippines.

Beyond that, I would have to admit that I am not familiar with the details of what they have actually done and whether John Singlaub has any connection with it or not. I tend to think that he probably does not.

Mr. Niksch. Yes.

A Voice From Audience. On the basis of a series of interviews which I did in Cebu over the last year and a half, I would say that there is a significant core of whatever you want to call them, the leadership of the Tadtad and so on, in that area which is ex-NPA, they told us.

At least one of those has since been killed by the NPA because of this connection. So, I think that whether you can make any judgment on what is going on in any other part of the country, on the basis of that I would be quite certain that there is very strong both organizational repatterning of the various groups on the far right in imitation of the organization on the far left and that there has been some back and forth in terms of personnel. That I know because they have told me.

Mr. Niksch. I think we had one question in the back here.

A Voice From Audience. As the NPA apparently moves toward a more orthodox strategy in the countryside, I thought you were saying, and I could be wrong, Do the mass organizations become less important or play a different role or more important?

Mr. Porter. That is a good question.

I think that there is an effort to move back to a more orthodox Maoist, if you will, insurgent strategy without really trying to reduce the ties which the party has with urban-based political fronts or economic organizations which are leftist and allied politically with the insurgents.

But in practice, I think that the importance of the connection with the urban fronts has declined in the last year or so. I think that there is a sense on the part of at least most of the Communist leaders at this point that they are not getting any closer to the kind of urban insurrection that at least some people in the party were talking about in 1986.

There was a lot of talk at that point. If you were in Manila in 1986 you saw scrawled on the walls things about urban insurrection and fighting for democracy in case the military took over.

I think that sort of thrust is beginning to fade out now, and we are kind of going back to that orthodox view that we have a slow, long buildup here. They are trying to reduce the kind of impatience that seems to be expressing itself, particularly on the part of some of their comrades in Mindanao. Perhaps Kintanar who was recently arrested is the best example of that.

So, in fact, I think they have been deemphasized.

Mr. Niksch. Gary, let me ask you one final question. You have not talked about the threats to Americans. Where does that stand now? Are some of these changes in party strategy likely to have different kinds of effects on that in the future?

Mr. Porter. My guess is that it is probably going to recede. I cannot be sure about that, but the arrest of Kintanar, who was apparently the guy who was running the NPA show and who obviously had some influence over whether they targeted Americans might mean that they are going to reconsider that kind of thing.

I would guess that there have been some hints that that was not considered the best way to go by other leaders. I think that is probably not going to happen.

Mr. Niksch. OK, thank you very much.

Now let us turn very quickly to Rick Kessler.

We have talked about the military. It has a very important role and has had in the Philippines both politically and militarily.

There are many different theories about its present state, its present thinking about the future of the country and where it is going.

Rick has a book that is going to be published soon on it, and I thought that he would be very able to address that topic for us today.

PRESENTATION OF RICHARD KESSLER, AMERICAN UNIVERSITY

Views of the Philippine Internal Situation, the Military

Mr. Kessler. Let me try to be as brief as possible.

One has to be cautious in talking about the military for two reasons. One, I can count at least two people in the audience who are more intimate in their knowledge of the present state of the Philippine military than I am.

Second, I am cautious for the same reason Marjorie mentioned about political change in the Philippines. This is a traditional society. Political change and military change are not occurring rapidly. I think everyone recognizes that structural change is needed.

Second, I have a particular bias in talking about the military. I spent two tours in Vietnam with the Army, one of which was as an adviser to the Vietnamese military. My attitudes, in a sense, to insurgency and counterinsurgency grow out of that experience.

When one looks at the Philippine military, one has to recognize that it depends on what you are looking at. What type of Philippine military are you talking about? Is it the graduate of the Philippine military academy? Is it the reservist? Is it the reform element, the so-called reform, the RAM group, most of whose leaders are arrested or in hiding? Is it the pro-Marcos factions or rightist factions that still exist and are strong in many parts of the military?

This is, in a sense, one of the problems. There is not a lot of coherence in the Philippine military today.

Also, I think in looking at the military one has to look at first principles, the conditions, the state of the Philippine military and the Philippine society.

I would argue there are a number of myths about the Philippine military which really do not stand up to scrutiny. These myths in a sense are all interrelated.

First is the concept that the Philippine military is a professional force or was a professional force until Marcos got his hands on it. Certainly there are professionals within the military, but I would argue, given the history of the Philippine military's evolution essentially from American times, although in part the Spanish period, there has never been a strong professionalism in the Philippine military.

Second, is the issue of the military's political involvement. One can argue that the Philippine military has always been politicized. It has always been heavily involved in politics even to the extent of plotting coups even before the Marcos period or the Aquino period, too. This is a state of mind that still conditions the Philippine military.

Third, I would argue that Philippine military traditionally, even from its founding days under the American period, has been to some degree a mercenary force. It has often been an instrument of local elite repression of the peasants, and it has not yet grown out of that state of mind.

Finally, I would argue that the Philippine military's counterinsurgency experience is relatively limited, even though a great deal of attention is paid to the Huk period. I would argue in general it was the Huks that defeated themselves and an upturn of the general economic condition rather than military actions over all that were instrumental in defeating the Huks.

Now, what does it mean for the present state?

First, I think one has to understand, therefore, that the conditions needed to change and professionalize the Philippine military are going to be much more extensive than just a change of leadership at the top. I think there has been a tendency to blame Marcos for the military's corruption and downfall that is in some degree misplaced.

Certainly Marcos weakened the military even further, politicizing its ranks through the promotion process and disrupting the logistical system, corrupting procurement and other factors.

It is certainly true that Marcos gave the military a new role in the civilian side, involving the military in running local government apparatus, corporations, development programs that gave the military a sense in some ways that it was better than civilian rule.

I think one has to look at it, again, as fragmented. Obviously there are different military officers, and men have different attitudes, but there emerges a concept among many that military men are more effective than civilian rulers.

But over all, the state of the Philippine military really precedes, predates the Marcos period, and this tends to indicate several things. First, that reforming the military is not simply a case of removing a few officers and reinstituting procedural changes. It is more deepseated, and it will take years to change.

Second, one can argue that the military does not have the luxury of time to implement these reforms because of some of the conditions that Gareth alluded to and the Communist insurgency and how it spread and, thus, will tend to employ tried and trusted methods of repression in dealing with the insurgency.

This is where you get into the anti-Communist vigilante movements or civilian volunteers, if you will, which has traditionally been the cheap but short-term shortcut to dealing with peasant rebellions in the Philippines.

Certainly civilian volunteers have a role to play in an insurgency. My own experience supports that. But I do not think you can have civilian volunteers, if you will, involved in the insurgency plan, insurgency program, until you have a Philippine military that has an effective command and control system and support within its own ranks.

If you are trying to use civilians to shortcut that counterinsurgency, you are going to end up supporting what has always existed in the Philippines, and that is private armies. They are going to develop a separate parallel system to the military itself which will ultimately erode in the long term the overall counterinsurgency program because it does not address the underlying causes of the insurgency: economic issues; justice issues; and social issues.

I would argue in some ways that justice issues, the issue that peasants have that their problems will receive sympathetic and fair treatment by the government, is just as important as economic conditions to changing the insurgency.

There is a second problem in dealing with and using this type of approach, antivigilante or volunteer approach, to dealing with the insurgency, and that is as the middle class in the Philippines senses prosperity, the type of high growth rates we have talked about earlier, it becomes afraid of chaos affecting their prosperity. It becomes afraid of the insurgency.

They will tend to join ranks with the upper levels of society to support these sorts of groups, these extraconstitutional groups, if you will, and they will support stronger military measures to repress the insurgency, which I would argue would have three consequences.

First, it will cause more human rights abuses.

Second, it will tend to deepen the social gulf between the rich and the poor, that is really the key to Philippines' future growth and stability, bringing that gap closer together.

Third, it has the possibility of really bringing a military coup about, a successful military coup. If the middle class and elites tend to feel that their government is not being effective at addressing the insurgency, I think that is a very dangerous development. Understanding the Philippine military's problems requires, first, an acknowledgment that military reform is not going to happen quickly; and second, it has to be more extensive than any previous one.

I would argue military reform is first an issue primarily one of leadership, both civilian and the military. Traditionally in the Philippines, civilians have interfered in military processes. They have interfered with the promotion process. They have interfered in the selection of commanders to key areas. This weakens the military, and this continues today. It will take a long time to change that.

Primarily one of leadership, not one of salaries, weapons, boots, uniforms, things like that that come. Those problems are resolved after you resolve the problem of leadership.

One has just to look at the NPA, who are not paid, do not have boots, suffer from tuberculosis and other diseases, and continue to fight to understand that in fighting a war, the key issue is one of motivation and leadership. You have good leaders, and you resolve the other problems, the problems of equipment, et cetera that interfere with fighting a war.

As Gareth mentioned, resources will be a constraint. You cannot pay, in a sense, the Philippine military enough money to live without some degree of corruption. That has to be accepted in a sense. But that is not what motivates anyone to fight. It is not money, and they do not have enough money to do it with anyway.

So, without changes, without improvements in the quality of leadership in the military, I think one can expect piecemeal change. Then the question becomes can piecemeal change be effective enough at reducing the threat of the insurgency, particularly when you are dealing also with the problems of a political elite that interferes with the military and, second, the continuing problems in internal military professionalization.

I think so far we have seen some isolated changes of improvement which are both encouraging and some signs of change which are discouraging. As Marjorie mentions, you can see an effort, at least, to recognize that there is a problem of civilian-military relations.

Second, changes of key commanders in April: About 40 or so generals were rotated, and some major improvements occurred in promotion.

Third, you have seen the beginnings of reorganization in the military command.

These are gradual signs of improvement. They are not clearly signs that the military has turned the corner and one can look at other problems; for example, concentration of military forces in Manila, that would tend to indicate that improvements are not occurring as rapidly as one would like.

Let me end there.

Mr. NIKSCH. Do we have questions?

Yes, in the back.

A VOICE FROM AUDIENCE. There have been a number of recent articles about a government operation in March which captured approximately 100 disks containing information about the insurgency.

Could you elaborate on the significance of this?

Mr. KESSLER. Well, as I understand it they have decoded a number of those disks. I am not aware if they have decoded all the disks. I do not think there were 100. Perhaps so.

Some of the information tends to indicate that earlier estimates of NPA arms strength have been exaggerated as well as their mass base and that they have perhaps 8,000 or so troops.

The documents also, I gather, tend to indicate some of the internal debates that Gareth was alluding to that have been ongoing within the insurgency.

That is the information I have.

Mr. PORTER. Just very quickly, I think you have to be careful about what is coming out, the information that is coming out about these diskettes. Not all of it is necessarily accurate.

There is no question that it is a real find for the government, but they are going to use that for their own political purposes clearly. So, you have to be consciously sifting the wheat from the chaff in the news that comes out about the diskettes. Some of it is undoubtedly accurate, but some of it is going to be planted for political purposes.

That is all.

A VOICE FROM AUDIENCE. Dr. Kessler, I am interested in finding out what is your interpretation how President Aquino manages to maintain control of the military. Has she established a constitutional chain of command, or is it just kind of an ad hoc arrangement?

Mr. KESSLER. Well, I think as Marjorie indicated, Cory came late to the understanding of how important the military was to keeping her in power in essence.

As a result, I feel in part that she overcompensated and that there is still a lack of understanding of the way one controls and runs the military from a civilian perspective. In other words, there is still a tendency within members of the government to try to play factions of the military off against each other to emphasize various certain services rather than others to try to politicize to some degree the military promotion process. That, to me, is a discouraging sign.

Now, people argue that the military now runs things, they call the shots in the government. I do not think it is exactly like that. I do not think the government does exactly what the military wants it to do. I do not think the military even knows what it wants the government to do.

As I say, it is not necessarily a monolithic group. The military has not yet developed a complete understanding of an insurgency program.

I think one could argue that given the limited resources and the problems of the Philippine society, that the military should be concentrating its approach along with the civilian sector in certain key areas of the country, certain key provinces and then gradually building a base out from that area which would include improving local government services, judicial processes, things like that, instead of spreading themselves out and trying to use civilian volunteers to fill in the gaps.

Mr. NIKSCH. We had a question here.

A VOICE FROM AUDIENCE. Yes. You said the way to help the Philippine military is to develop its motivation and leadership.

How does the United States play a role in that?

Mr. **Kessler**. I do not think we can play a role very much at all in any of that. I think that is up to the Filipinos. This is their country, their future, and their destiny.

I think there certainly are enough military men in the Philippines who understand that need, and the question is whether they have the ability to influence it. I do not think we can play a role.

I think on the margins that the United States could provide some support in improving and providing construction aid to rebuild Philippine military bases, training facilities, things like that, textbooks, manuals.

But as the Nicaraguan case and others tend to suggest, it is not training; that American training really does not necessarily have any impact at all on improving the civilian-military relations or improving the quality of military personnel. That has to come internally, and they have the capability to do that.

Mr. **Niksch**. Are there any other questions?

A **Voice From Audience**. Dr. Kessler, I seem to get the implication that the military personnel in the Philippines right now should go beyond just military skills, considering that to be effective in dealing with, among other things, the insurgency in the Philippines. You would need a military who is sensitive and knowledgeable about nonmilitary kinds of strategies in dealing with the problems of the Philippines.

Now, that seems to suggest sort of interweaving with other aspects of the government which could result in a situation which would be no different than during President Marcos' time, where the military was precisely playing a very political role and also a very dominant role in other aspects of government.

Would you say that that approach, while it would propose perhaps some very good results, it would also result perhaps in very politically sensitive kinds of questions?

Mr. **Kessler**. No, I do not think so. I think you are in a sense mixing the two together. You do not have to mix the two together. Armies are very simple. They fight. When you are trying to complicate them with other things, you start distorting them.

What has to be done is building up the civilian side so it can work together with the military. You have to bring them up both together. One does not suggest that the military goes into areas and supplants the government. The military has to go into areas with the local government, with the civilians, and hopefully the civilian apparatus can implace it so it can work.

I do not think you want to see the government, the military becoming local political officials or any of that sort of thing at all.

Mr. **Niksch**. I would like to thank both of our speakers today for, I think, some very interesting comments and presentation on their part.

Again, they have to leave us now quickly for a rendezvous at 1:30.

[Whereupon, at 1:10 p.m. the meeting recessed, to reconvene at 2:20 p.m. this same day.]

AFTERNOON SESSION

Mr. **Niksch**. We are going to get underway with one of the major issues in the Philippine-American relationship that has arisen in the last few months.

I brought with me a newspaper article that I think many of you may have seen early in May in the Washington Post on Sunday morning—"$10 Billion in Aid Sought for Philippines," which was the headline in the Washington Post on that particular day.

This is a proposal that has been getting increasing attention and consideration in Washington in both the executive and the legislative branches of Government. As Rick Kessler mentioned this morning, President Reagan tried to get the seven-nation economic summit to make a commitment concerning this particular plan and apparently was not able to do so because of the opposition of President Mitterand of France.

We have two very distinguished speakers very well qualified to discuss this $10 billion multilateral aid plan. Hank Kenny is the staff director of the East Asian and Pacific Affairs Subcommittee of the Senate Foreign Relations Committee.

I think that it is appropriate that somebody from the congressional branch give an American perspective on this because, in fact, this proposal arose in the Congress. Four Members of Congress sent a letter to President Reagan last fall proposing this kind of multilateral aid economic recovery program for the Philippines. I think Hank can give us the congressional perspective on this as well as an overall status report from the U.S. side.

Raul Rabe is the Deputy Chief of Mission at the Philippine Embassy. Those of us who are aware of this proposal know that he, Ambassador Plaez, and other members of the Embassy have been intimately involved in discussions on this issue with officials of the U.S. Government.

So, without further adieu, let us begin with Hank to give us the American perspective on this proposal.

PRESENTATION OF HENRY J. KENNY, PH.D., SENATE FOREIGN RELATIONS COMMITTEE

ISSUES IN FUTURE U.S. POLICY, ECONOMIC AID AND THE MULTILATERAL AID PROPOSAL

Dr. **Kenny**. Thank you.

I would begin by pointing out some of the things that were discussed here this morning about the economy and about the insurgency. I single these out because they are two of the factors that led to what we call the mini Marshall plan, the first being the insurgency which during the latter Marcos years was expanding at an extremely rapid rate and the second being a declining economy which exacerbated the insurgency.

During the period from 1982 to 1986, for example, we saw the per capita income of the Philippines drop from a level of $800 even in then-year dollars to less than $550 in 1986. So, one of the ideas put forward was that an effort should be made to try to improve the economy and that this would indeed have an effect upon the insurgency.

But the overriding consideration was support for democracy. In that regard, Senator Cranston had visited the Philippines in August 1987 and came away with a very distinct impression that whatever we could do in the United States to help support the democratic movement and the continuation of democracy would be all for the better.

In the economic sphere, we looked at the situation here in Washington and realized that this is an extremely tight budgetary environment. We looked at the international situation and saw countries like Japan and many other nations which are in a very good position to help out, and also looking back in history at our own Marshall plan in Europe and in Asia, saw plenty of examples whereby nations were helped in their democratic process.

Indeed, the Marshall plan itself played a very significant role in the survival and the success of democracy in Europe. Little known, however, is the fact that during the postwar years from 1946 to 1952 the United States donated about 7 billion dollars' worth of then-year dollars to Japan, Taiwan, the Philippines, and South Korea.

Now, if you run those dollars up to present value, you are talking about $25 billion. That was at at time when we did not have two cars in every garage; we did not have a garage and likely did not have a car. Being much more able today, we felt that despite the difficult budgetary environment, it is incumbent upon the United States to take whatever measures it can to help and promote democracy in a country which is being challenged in so many ways.

So, with Senator Lugar and Senator Cranston taking the lead in the Senate and Congressman Solarz in the House, this idea was moved into a broader sphere and out we came with what has variously been called a multilateral aid initiative, the mini Marshall plan, and somebody yesterday started calling it a micro Marshall plan. I said, "Hey, wait a minute, let us not get down to micro. Let us at least keep it at mini."

But whatever you call it, the idea is that the total amount of assistance for the Philippines should be increased, and increased substantially, over an extended period of time because it will take an extended period of time for the economic infrastructure of the Philippines to really begin to develop in a self-sustaining manner.

I say this despite some of the forecasts that have been made. I have one right here, and I am sure we have others that show a 5.1-percent increase and a 5.8-percent increase this year. Whether or not that takes place a lot of the increased growth is demand led. We therefore need to look at how to develope sustained growth over a period of time, so that democracy can really take hold in a stronger fashion and insurgency not be fed along with all of the other elements of instability which we have witnessed in the Philippines in the last few years.

The idea was to raise the amount of economic assistance from all international sources by a total of $1 billion per year for 5 years. This is the proposal that was presented to the administration last November and has been on the table since that time.

The legislators have had two meetings with Secretary Shultz on this proposal since then, and we have come up with more specifics and refined it somewhat.

What we really hope to direct the assistance toward is, No. 1, infrastructure and, No. 2, job creation. These are two areas where we feel that it could have the greatest impact.

Besides the total $5 billion or whatever we can come up with, and we may come up with more than that after talking with all the other international donors, we also are planning for some private initiatives. These would include some debt-equity swap, new lending, new trade assistance, and other private measures which would have a multiplier effect to enhance a economic performance of the Philippines.

So, if sometimes you hear the figure $10 million—this includes economic assistance by governments somewhere upward of $5 million over a 5-year period, and the remainder private assistance of the type I just mentioned.

This is all in addition to the current international assistance to the Philippines.

Senator Cranston, Senator Lugar, and others in the Senate and also in the House made approaches to the Appropriations Committees for fiscal years 1988 and 1989, and the assistance for those years was increased above and beyond what the administration requested in most categories for those 2 years.

However, as I have indicated, we are looking for the long term. Realistically, we are talking about this plan beginning in fiscal year 1990. That means that we must have the plan flushed out this year. We have to get it agreed upon and we have to get it moving this year. The legislative process will take place next year, in 1989.

The international effort first. The proposal and the specific points of the plan were presented to Prime Minister Takeshita by Gaston Sigur. The points were from Senator Cranston, who asked Sigur to present this plan in November to the Japanese Prime Minister. Since then Sigur has gone back to talk with Japanese Government officials several times.

Assistant Secretary Sigur also approached other nations in the region, as well as in Europe, and has had a generally favorable response. In fact the Japanese had already provided over $6 million in their 15th yen package for the Philippines in early November 1987. When they came in again in December with an additional $108 million, we felt this was at least partly in response to the approach to Takeshita in November.

But the long-term orchestrated plan would have to be done internationally through a coordinating mechanism. The current thinking is to use the World Bank for this purpose. There is no overall czar. The United States is not to have an overall economic czar over the entire process. Each country would hopefully have their own coordinator or someone to be responsible for their portion of the plan.

The U.S. Government is still in the process of reviewing this aspect, examining names for the coordinator and so forth.

A lot of work remains to be done in this regard on the international side. We still do not have any divisions of responsibilities. At least, this is an area that has to be addressed. What is Japan going to do? What is the World Bank going to do? What is the United States going to do? What are we all best equipped to do? What are the Europeans and so on best equipped to do?

Of course, the countries which are presently the donors may want to expand upon present projects, but we are talking about a lot of new projects as well. It is very important for us to get the plan into shape very soon, so that we can coordinate the details of it internationally and be ready to go with the legislation early next year.

A lot of people wonder why it is taking so long. I think it is taking too long also, but there is a lot of planning that does have to be done in this regard.

I think that in the Senate and in the House there has been a great deal of support for the idea; that the Congress is prepared to do something; and that we are now in the process of expanding the base of support in the Congress.

The administration has acted responsibly on the international side, and on the domestic side has sought to appoint a coordinator, liaison with the World Bank, and ironed out the bugs with Treasury, and so forth. I would like to see it move a little faster, but they are not moving, and I am generally optimistic in that respect.

Where do we go from here? First of all we have to overcome and to make sure that we do not get ambushed by several major obstacles which could derail the plan if they become politicized.

One of these is the pipeline issue. I put that out as a political issue. It is also an economic issue, of course; that is, that some $2 billion is already in the pipeline for the Philippines. Some of you may have seen news articles about this.

The Philippines has done a better job in getting a lot of these funds moving lately. I would point out in defense of the Philippines that they are prohibited by Philippine law from engaging in public works projects 45 days prior to any major election, and that includes the election for the House and Senate, the local elections last January, and also the referendum for the Constitution. So, that is a total of 135 days during a 1-year period in which they were basically not able to proceed on public works projects, thereby exacerbating the pipeline problem.

Other reasons included the reordering of priorities from the Marcos years by the Aquino regime; the general instability that characterized some portions of the first 2 years of the Aquino regime; and the rotation of 22 cabinet ministers during the first 2 years. Today, most of these particular problems are behind us.

One indication of the progress being made is the fact that our U.S. AID programs and funds are moving at twice the rate this fiscal year as they were last fiscal year. I think that is all to the good.

More needs to be done in that regard. The Aquino government needs to streamline itself a bit more and to exercise a bit more effort in addressing the pipeline problem.

Things are moving, and the outlook is for them to move faster. Nevertheless, I cite the pipeline as a problem because it does make a lot of Members of the Senate as well as the House very nervous if they think they are going to be politically attacked for throwing money at the Philippines when there is already a large amount of international aid in the pipeline not being used. That is one of the major criticisms.

A second item is the bases. If the bases were to be tied in with this plan, politically it would be a great disservice to both of our nations. There has been a lot of comment about this in the Philippines. There has been some comment about it here.

I can tell you that those who were present at the creation, if you will, have no intention whatsoever to tie this in with bases. This was and is an effort to support democracy in the Philippines. But if the Philippine House of Representatives, for example, were to pass legislation like the Senate just did on the bases, and we would be out of the Philippines basewise, this would obviously have an adverse political reaction in the United States, and people would wonder why we are bothering to spend so much money out there to help the Philippines when they are not doing something for us.

I think this is a very hypothetical issue. The track on which we are moving is to support the democratic process in the Philippines; this is the purpose of the aid.

The other potential political obstacle I would mention is human rights. Although this is not as much publicized, there are a number of reports about vigilante groups getting out of control. I, myself, have seen pictures of people disemboweled and legs and other parts of the body severed. There is a great deal of controversy over this. I understand that. There is obviously an effort on the part of the Communists and NPA and others to make this a big issue.

However, I do think that there are enough examples of this to denigrate the political support of many people who would otherwise be 100 percent behind the mini Marshall plan. I believe it has potential for causing trouble and that it must be addressed squarely. This is something that I have pointed out several times in discussions with Philippine leaders, and I think it is something we have to give close attention.

As far as economic obstacles are concerned, I would mention the importance of the feasibility studies that are necessary for projects to go through. Let us face it. Japan is an economic superpower. It is preeminent in its position to provide additional assistance at this time.

The Japanese have always placed very high emphasis upon feasibility studies. I think that this is crucial, and that more work needs to be done in coordinating with Japan and with the cognizant organizations in Japan on this.

I have talked to the Japanese in considerable depth about this issue. The Japanese are very positive in a political sense, but when it gets down to really implementing things, they really get tough on feasibility.

There are other aspects which I have discussed with them, such as tied assistance and increasing the grant element, but it is my judgment that the Japanese have the basic disposition to do a lot more. I mention Japan in particular because they are in a position where they could probably do the most of all the donor countries we are considering.

So, as far as potential economic obstacles are concerned, I think that the Philippine Government needs to focus a great deal on the feasibility studies that are necessary to implement the aid initiative.

Despite all these obstacles and problems, I do not want to overemphasize them. I do think things are moving along quite well. The mini Marshall plan is a good example of Executive-legislative cooperation, and I hope that we can move forward on it. The success of democracy in the Philippines is crucial not only to the Philippines but to the United States as a nation because of our long-term relationship with the that country.

It is also obviously of great strategic interest to us, as well as to the rest of East Asia, including Japan. I believe it is a proper way to proceed. As we approach the 1990's, it represents a modern-day effort, really, to renew old ties. Some 90 percent of the Filipino people and most Americans do not remember the things we shared together in the tougher days of World War II. We need this aid initiative to renew our close relationship with the Filipino people, and I think the Philippines needs it also.

We are seeing the rise in anti-Americanism all across different parts of the world, particularly in some of the East Asian countries where we have never experienced much of it before. The mini Marshall plan is one way to renew old and close friendship, as well as to helping a friend in need.

Thank you.

Mr. **Niksch**. Thank you very much.

Raul.

PRESENTATION OF RAUL RABE, DEPUTY CHIEF OF MISSION, PHILIPPINE EMBASSY

Issues in Future U.S. Policy, Economic Aid and the Multilateral Aid Proposal

Mr. **Rabe**. Thank you very much.

Coming from a country with a per capita income of less than $600, being offered the sum of $10 billion makes one speechless. So, my remarks this afternoon will be essentially brief. I will just be stating the general Philippine Government position on the proposal.

The idea of a multilateral plan for the Philippines is not new. It has been broached by many people, dating even as far back as shortly after the Second World War. During the time, we were envious of the fact that Europe was the beneficiary of a Marshall plan and not only Europe but also China and Japan.

The Philippines was given war damage payments. Veterans claims were paid but there was no general overall economic plan to bring the economy of the Philippines back to its feet.

We obtained our independence shortly after the war. We were left largely to our own devices, trying to develop the economy. For a long period we were extended benign neglect by our former colonial masters, if I can put it that way.

But we did exist. We did try to do our best to nurture the democracy that was handed over to us in 1946. We tried very much to hurdle the Communist insurgency, the Huk insurgency of the

1950's. We went through successive elections, proving that we had a real democracy in the country.

But then came Mr. Marcos, and all of that we all know because they are recent history. It was such a traumatic experience, deeply etched in our memories. The devastated economy left by Mr. Marcos and the initial instability of the Aquino government, as was mentioned by Hank, led certain Members of the United States Congress; namely Senators Cranston and Lugar and Congressmen Solarz and Kemp to propose a multilateral Marshall plan type of assistance for the Philippines.

We did take note from the very beginning that the proposal had the underlying motivation of helping preserve democracy in the Philippines. There was no mention at all of any relationship to the bases negotiation.

We see that the Philippine economy does need this Marshall plan. While we are making gains under the Aquino government, the economic recovery still is fragile. It is mainly consumer led. We have also to look at the bottom line of the Philippine economy. This is the fact that the net resource outflow from the country totals about $3 billion. This would be the case for the next 2 years.

The total assistance inflows on the other hand, only averages around $1.4 billion. So there is a resource gap which has to be filled. Unless the economy gets back on its feet and unless our export receipts increase, we will not be able to cover this and whatever economic recovery we are achieving now will grind to a halt.

We are, therefore, very gratified and happy to know of this initiative of the U.S. Government. In fact, President Aquino, after she was formally informed through channels that the Reagan administration was going to push for this plan, announced her acceptance of the plan on the condition that the plan is not connected to the bases negotiation.

The Philippines realizes that the United States Government faces budgetary difficulties. It also realizes that its needs are so large that probably not just one country can address the needs of the Philippines. I mean we in the Philippines appreciate the fact that this has been molded in such a way as to be multilateral. It not only makes it less of an American plan, and therefore more acceptable to our nationalists, but it also makes possible for a wider variety of programs and projects that can be implemented to assist the country. After all, each country has its own expertise and specialties in assisting other countries.

On the side of the Philippines, we have an economic development plan, a midterm development plan that stretches from 1987 to 1992. This can already be the basic document by which a program of assistance can be implemented in the country.

But on top of this, the President has just established a group which includes the private sector to make the necessary studies to enable us to accept and implement the plan in an expeditious manner.

Now, Hank has mentioned the "aid pipeline" problem. This is a problem which we recognize in the Philippines. He mentioned also the figure of $2 billion. It is about roughly that amount.

But we do emphasize that the utilization rate has improved vastly from last year to the present. As Hank mentioned, the USAID disbursement rate has doubled.

There were also reasons why we could not utilize it as fast as we wanted to. Hank has mentioned some of them, and I would just like to add (*a*) government reorganization and (*b*) reordering of priorities.

I should also point out that we face some difficulties with the regulations of donor countries. We still continue to debate with USAID on whether the base compensation package of $185 million is rental or assistance. In 1983 both countries agreed to disagree on this point. We agreed that the Philippines would look at this as rental, while the United States would look on this as assistance. But when it came to implementing the disbursement or the assistance, we found that this has given rise to problems. The United States would require consultants to be Americans. The Philippines would reply "Look, we can use our own consultants. We have the expertise. Allow us to spend the money as we please. Anyway, this is rental. This is our money." The U.S. side would say: "Look, we need to put in consultants because we need to have oversight. We have to report to the U.S. Congress on how we are spending the money."

So, this kind of debate did not help at all in speeding up the utilization. We are, therefore, hoping that in improving our disbursement procedures, perhaps the U.S. side will also be more understanding of our situation.

How is the plan being received in the Philippines? I think many of you know that the plan is viewed with suspicion by many sectors in the Philippines. They say this is really related to the bases, that is intended to soften the Philippine position, and that this is not really out of altruistic motives.

Having been involved in the initial discussions on this, I can testify that from the very start the plan was said to be motivated out of a desire to preserve democracy in the Philippines. That I can attest to, but I cannot help it if people back home think otherwise. But of course, there is a learning process taking place. On the other hand, the suspicions back home seem to be justified by the timing of the announcement of the plan.

You may recall that the proposal was given by the four Congressmen to the White House sometime in November 1987. It took the White House until late February to act on it. And when it was finally announced as having been accepted by the Reagan administration, it coincided with the start of the review on the bases. So, it was inevitable that the connection was made.

Of course, there are a few in the Philippines who see that the United States appreciates our problem and, as I said, this is the beginning of a learning process. Given her budgetary constraints, the United States has had to approach other countries to help in drawing up a program of assistance for the Philippines, just as she is asking her allies to help militarily. "Burdensharing" is the catchword that we frequently hear. She is asking other countries to share this burden of helping the Philippines.

We look at the plan in general as a recognition and a manifestation of the continuing close ties between the two countries. We also look at it as perhaps reflecting the realization by the United States that she had neglected her former colony and is therefore taking this opportunity to rectify this past neglect.

In closing, I would like to address myself to the obstacles that Hank has raised. In addition to the pipeline issue, there are the bases. We cannot really get out of the fact that if the Philippines does decide to kick out the United States bases there will be ramifications in the United States Congress. Its Members being only human, we can see a reaction as Hank had described. That is a real possibility.

Concerning human rights, we cannot deny that certain abuses are taking place. We have a system of government that is sincere in trying to protect human rights, but we have a situation of insurgency in the country. Vigilantes have arisen more out of a need, a felt need by the masses rather than by an outright instigation by government.

You cannot really put them or classify them into one. Some of the so-called vigilante groups have become less disciplined and less subject to civilian or to the government's authority and, therefore, have committed abuses.

The government has tried to curb these abuses and to prosecute perpetrators. Human rights groups have pointed out time and time again that there has been no successful prosecution in the Philippines concerning human rights abuses by the vigilante groups.

I would like to say that of the several hundred cases that were filed before Philippine entities, we have sifted through them and we have found 72 cases which are deemed worthy of investigation and prosecution. Thus, there are now 72 cases of human rights violations against government agents including the military, which are in varying degrees of prosecution.

We cannot help it if our system is slow. It is based upon the principle that a person is deemed innocent until proven guilty beyond reasonable doubt in a court of law. Public hearings must take place, and lawyers are free to go for postponements and delays.

Please keep in mind it has only been 2 years since Mrs. Aquino took power and this new government started its work. We do hope to bring down the level of these abuses, and hopefully the human rights problem can be minimized or eliminated in the not too distant future.

Hank mentioned about the need for feasibility studies and how the Japanese are emphasizing this so much. I can understand this, Hank, and this is a problem which we on the Philippines side must address. We must come up with high standards of feasibility studies that can be acceptable to the donor countries. I think we have the capacity to do this.

In closing, I would like to say that we are looking forward to having this Marshall plan implemented. We see this as the only real way by which we can get out of this economic hole that we find ourselves in right now.

We do not see this as continuing forever. We hope we may not need to avail of all of the amounts that will be offered to us. Europe, after all, did not have to avail of the $17 or so billion that the United States was prepared to give to it because the European economy quickly recovered. In that same manner, we hope that in 3 or 4 years time we shall be back on our feet.

We also hope to therefore and thereby contribute to democracy in our part of the world. The Philippines being a traditional market for United States products, hopefully then can become a potentially rich market for United States companies.

Thank you very much.

Mr. NIKSCH. Thank you, Raul.

I think our two presentations show not only the relevance to the Congress in terms of the origins of this proposal but also the type of responsibility that the United States Congress is likely to face in the near future in dealing with this proposal as it moves ahead through consultations between the United States and Philippine Governments and between the United States and Philippine Governments on the one hand and other potential donor governments on the other hand.

It is a proposal that I think we have seen from our commentators has a lot of potential, but also it has a way to go. There are some problems associated with it and also certain suspicions that people do have about the nature of this proposal that will have to be dealt with as well.

So, let us turn now to some questions or comments from all of you about this particular issue.

A VOICE FROM AUDIENCE. This figure that is being targeted, the $1 billion per year, this figure is actually less than the amount of interest payments we make to the American banks, which some parties in the Philippines have really been squeezing the Philippines out of every drop of blood we have.

My point here is that is there any way of having the U.S. banks reduce the interest payments, because if only half of the interest payments we make to the banks, if only half of the interest payments we make to the American banks yearly are reduced, we will not need the Marshall plan.

Dr. KENNY. This is one reason for the delay. The administration at the present time is working with Treasury on debt issues. Now, there would be a big problem if the Philippines were given breaks like you mentioned on the debt, because other nations would then cry for the same thing.

So, one of the problems in attacking it from the debt side of the ledger is that certain things are impossible.

However, debt-equity swap in the private sector may be possible. Some restructuring may be along the lines of the Mexican model, but this does present some problems from the Treasury point of view, and these are things that have to be worked out.

A VOICE FROM AUDIENCE. I have two questions. The first one is given the sensitivity over the rent aid question, will whatever military aid that is directly tied to the retention of the bases be separate from this plan, or is it an integral part of it?

The second question has to do with in listening to this presentation, I got the feeling that this is something that the foreigners are planning for the Philippines.

How closely is the Philippine Government involved in the planning of how this will work and so on before it gets to be legislation?

Mr. NIKSCH. Let me ask you to clarify your question.

When you say the military aid in connection with the bases agreement, are you including the ESF, the economic support funds, as part of your question, or are you referring to strictly the arms component?

A VOICE FROM AUDIENCE. I am wanting to separate all forms of military aid from all forms of economic aid because it seems to me that, if I have understood perceptions in the Philippines, that there is a perception that these are in some ways two separate things or should be separate things.

It seems to me that if we separate the two, we can then proceed with aid which is economic and which is something that one does for a friend; and that then the question of what sort of military compensations there are and what form it takes is a separate issue and that this goes further to separating the two.

I was just wondering how that worked, in fact.

Dr. KENNY. I do not want to get too much into the military side at this time. Colonel Wise will present that issue.

A VOICE FROM AUDIENCE. But is there military money in what you are talking about?

Dr. KENNY. We are not talking about military assistance. We are not focusing on this or on the military bases.

The U.S. Government has a position that military assistance is not rent anyway. But we are not focusing on this as an effort to improve the economy. This is strictly an economic focus.

A VOICE FROM AUDIENCE. But the money that we give the Philippines in military aid, is that amount of money included in the money that you are talking about in the Marshall plan?

Dr. KENNY. No, it is not. We are talking above and beyond what internationally is being given.

A VOICE FROM AUDIENCE. Then the second part is to what degree is the Philippine Government involved in the kinds of planning, or is this something that is being sort of done for them?

Dr. KENNY. Where you draw the lines on military and economic aid is another matter.

Mr. Rabe, would you like to comment on the second point?

Mr. RABE. The Philippine Government intends to make the implementation of this plan as a Philippine program. This means we will make our plans, we will pinpoint the activities we want to undertake, and we will outline the whole program in its implementation stage.

The donor countries' role is really to come together and agree on the parameters of the assistance they can give to us and perhaps indicate what kind of assistance they can give to us, and from there we will take off. We will then meet this offer with our own program, but we have not reached that stage yet.

A VOICE FROM AUDIENCE. So, at this point it is the outside planning for what they can give?

Mr. RABE. Yes.

Dr. KENNY. The other point I would make is that Senator Cranston and Senator Lugar have had innumerable meetings during the past year, not only with Philippine governmental leaders, but also legislators, and have been in consultation with the Philippine Embassy throughout the entire process.

A VOICE FROM AUDIENCE. What is the congressional support that you believe you have now both in the House and the Senate, and what kind of feedback have you gotten from the leading Presidential candidates in support of this plan?

Dr. KENNY. On the Presidential candidates issue, we have done a lot to make sure that they have, for example, the letter. I have talked with the Dukakis staff about it, but it has not been discussed, as far as I know, with Dukakis himself.

What was the other part of your question?

A VOICE FROM AUDIENCE. I was curious what kind of level of support you feel you have in Congress in the House and the Senate. Do you have two-thirds majorities lined up?

Dr. KENNY. No, we have not gone that far yet. We are seeking to flush the plan out first, to get the details of it first before we make a wider pitch. We are expanding the number of Senators who are involved with it and talking to a lot more Senators, and a lot more Senators have become involved with it. But we have not done a head count or have not gotten to the point of presenting it to the body as a whole. We hope to be in a position to do that later this year or early next year.

But the response we are getting from those we have contacted has been extremely positive, and this runs across the spectrum of very conservative to very liberal and to Democrat and Republican. We do have a broad spectrum, and we think that is important.

A VOICE FROM AUDIENCE. Ambassador Rabe, you did mention the midterm plan. The little I know of it is that it is a substantive document which sort of maps out a very concrete plan of action of economic development as well as strategy, one of which is the prioritization of the reduction of poverty that the plan proposes during a 6-year period from 1986 or 1987 to 1992.

Now, if my understanding is correct, it is that the conceptualization and the formalization of this plan has been sort of completed before the dynamics of the Marshall plan sort of take place. Correct me if I am wrong.

Regardless of whether I am accurate in that or not, my question is that considering, as you had implied, that there is a mechanics, if one can call it that, for implementing the mini Marshall plan if it should be so provided to the Philippines?

Will Dr. Kenny address this point as to whether that would be a compatible procedural way of meeting the requirements, if there are any, at the implementation level of the Marshall plan if so given to the Philippines, as Mr. Rabe had implied, that it could be the instrument for implementing the plan, and if it is not adequate are there other scenarios perhaps beyond the midterm plan of action that would accommodate the Marshall plan increment of assistance into the Philippine effort?

Mr. RABE. As far as I understand, Rita, you are asking whether the midterm plan, which seems to be a complete plan of economic development for the country, whether this will be the sole basis for implementing the Marshall plan proposal.

First, the midterm plan of the Philippines was put together prior to the conceptualization of the Marshall plan. So it does not take into consideration this huge amount of money that will be forthcoming.

Second, that plan is geared toward the rural areas, toward social reforms and programs. So it goes beyond purely increasing the economic pie. It goes into the social aspects of life in the Philippines.

This plan is temporary. It is for the short term. It gives us a certain amount of money which we must utilize to the fullest. My feeling is that in implementing this program and utilizing this money, this must be geared toward job-creating activities and of the type that will continue, that are not just one-shot deals, long-term projects that will have benefits for the economy on a long-term basis so that we would be able to pay our way through.

As I said, we need to generate additional export receipts because we have a resource gap which will become serious as the years pass. We must be able to cover gap in our resource outflow.

Second, we must create jobs because that is the greatest need of the country now. It is insurgency related. We can dampen the insurgency by creating employment in the rural areas.

Now, I am sure that while the midterm plan will be some kind of guideline for the plan that we will finally adopt, we will be adopting something more specific toward this Marshall plan proposal.

Thank you.

Mr. NIKSCH. Hank, let me ask you a question if I may.

There were two or three comments this morning to the effect that the international aspect of this plan did meet a setback at the economic summit conference because of the French opposition to some sort of specific reference to the plan in the communique and anything that implied some sort of commitment by the seven nations to moving ahead with the plan.

Could you assess what happened at the economic summit on this?

Dr. KENNY. I heard that there was a problem with the French, but I have not heard the specifics of it. I cannot comment on it.

Mr. RABE. Our understanding was that Mitterand was against the inclusion or the specific mention of the Philippines in the communique. He was not saying that he was against a multilateral plan of assistance. In effect, he was citing the procedural difficulty that the Atlantic Council would have in citing a country that is not within the Atlantic region.

So, we do not really see that as a setback. We are still hopeful that the other donor countries will come forward.

Dr. KENNY. The Philippines were mentioned in the final communique as especially deserving foreign assistance.

Mr. NIKSCH. Yes, in the back.

A VOICE FROM AUDIENCE. These conferences are always taking place in Washington, and we are really preaching to the converted.

Could I ask Dr. Kenny how this is playing back home?

If I could just for a moment play the devil's advocate. You began your remarks by separating aid from the bases issue. Mr. Rabe very specifically talked about the suspicion that the two are linked. The Congress is going to have to sell this to people back home. If I can pretend to be from Indiana for a moment——

Mr. NIKSCH. Wait a minute. That is my home State you are talking about. [Laughter.]

A VOICE FROM AUDIENCE. It is somebody else's home State, as a matter of fact. The steel mills in Gary are hurting. It has been a bad year for crops, and now you are going to have to go home in election year and somebody is going to say to you, I suspect, "Look, if you want *x* number of billion dollars and they are tied to the bases, that is security." I understand security.

If you are going to come to me now as a constituent and say we need to give *x* number of billion dollars to the Philippines because they are in need and they are nice guys, I am going to say, "Hey, so times are tough in Indiana, too."

How are you going to sell it back home, and what kind of response have Congressmen who have been supporting this program had?

Dr. KENNY. Obviously there are political considerations every individual Member is going to have to take into account in the way he sells it and his position on it. In this regard there are a couple of important factors that I would point out.

First, you mentioned a linkage to the bases. Now obviously, when you are dealing with an effort to support democracy, obviously this has importance for the stability of the Philippines.

If we had to relocate the bases, for example, the estimates are at least $10 million to relocate. Obviously, this is an important factor that a Member might want to use in his district.

Another would be the fact that for every dollar that we spend on this program, we can envision in this plan that there might be $4, $5, or $6 put up by the other donor nations. So, we are getting more bang for the buck, if you will, and we have the additional economic multiplier effect beyond that.

So, these are all selling points, and also the fact that it is in our security interest. There is another political dimension. In East Asia the Philippines is the only major area where Communists are on the move. Communist revolution is history in East Asia. Everybody in Asia looks back, and sees that it is history where the ideology of communism has any appeal to anybody.

Compare Vietnam, Laos, Cambodia, and North Korea, the last bastions of implementation of Communist ideology in any form in Asia, to the non-Communist countries. There is no comparison. The new revolution in Asia is the revolution of rising performance, and the Philippines is the anomaly in this respect. So, that makes the success of democracy there even more important.

Those are arguments that Members can use.

Mr. NIKSCH. Are there other questions? If that is the last question, I think the reference to my hometown of Gary, IN, perhaps is appropriate. It has the reputation of the only city in the United States where even McDonald's could not make it. [Laughter.]

So, perhaps the job of selling this kind of proposal back in Gary, IN, and in other cities and in locales like it in the United States is going to be a very important consideration in terms of where this plan actually proceeds, especially the kind of leadership and contribution the United States would make to this plan in the future.

So, I would like to thank our speakers. I think this was a very instructive and informative session.

The question that we heard about the connection between economic assistance and military assistance does lead us to our next panel, which is going to be on the American military assistance program. So, could Colonel Wise and Bobby Tiglao please come forward for that session?

[Pause.]

Mr. **Niksch**. Those of you who came to our conference a little over 2 years ago remember the excellent presentation on the insurgency that Col. William Wise of the Department of Defense gave at that time.

I had the occasion, when I was starting to prepare this conference, to go back and read over what Bill had to say at that time. I can tell you that much of it, in terms of what has happened since, reflected or predicted or forecasted the developments in the insurgency that Gary Porter talked about this morning.

I have asked Bill to come to us today to talk about the U.S. military assistance program, which he is intimately involved in. I can think of no other person to talk better about that than Bill.

Bobby Tiglao is a Nieman Fellow presently at Harvard University. His profession is that of a journalist from the Manila Chronicle in Manila. Those of you who know the Philippine press know the status of the Chronicle and the respect that it has both in the Philippines and outside of the Philippines.

Military assistance is an issue of some note in the Philippines. There is some controversy concerning the military assistance to the Aquino government because of some of the issues that have already come out here today: The so-called vigilante movement, human rights issues.

There have also been some issues in which the two governments have not agreed on with regard to the kinds of military assistance the United States ought to provide or would provide in the future.

So, I think we have some very interesting issues to go into in this topic. So, I would ask Bill to begin.

PRESENTATION OF COL. WILLIAM WISE, U.S. DEPARTMENT OF DEFENSE

Issues in Future U.S. Policy, Military Aid

Colonel **Wise**. Thank you for those very kind words about our efforts here 2 years ago. I suspect, however, that luck is still a very important factor in dealing, as I do, with the Philippines.

While our topic today is a little bit easier than speculating on the future of the insurgency, this is talking about a program that exists, has existed and I suspect will exist into the future, the United States military assistance program to the Government of the Philippines.

I should say at the outset that our military assistance program is naturally governed by our interests, and there should be no doubt by anyone in this room in the Philippines or in the United States about what our primary interest is in the Philippines. Our primary interest from the point of view of the United States—and I am now speaking in terms of security interest as well as political interest—is in a stable, democratic, and developing Philippines within the community of free nations. That is our primary interest.

U.S. bilateral, as well as our multilateral assistance efforts are devoted to achieving that objective and pursuing that interest. Underlying the United States military assistance program in the Philippines is the Philippine-United States Mutual Defense Treaty of 1951. This is a bilateral treaty with obligations on both parties, both the United States and Philippines, and it establishes us both as security partners.

The United States demonstrates its commitment to mutual defense by providing forces for the external defense of the Philippines and by providing military assistance to the Armed Forces of the Philippines to help the Armed Forces of the Philippines meet its internal defense requirements.

At the present time, in the view of both the United States and the Government of the Philippines, the principal internal security threat to Philippine democracy and economic development is the Communist insurgency.

Just to step back for a moment, you may recall that during the Marcos era the Armed Forces of the Philippines had some serious damage done to it. The Armed Forces were characterized, in part at least, by politicization, cronyism, corruption, human rights abuses, a declining funding of those things that really matter, operations and maintenance of forces and equipment, and declining investments in new equipment.

In fact, many persons in the Philippines, even within the AFP, now look at the Marcos period as a time when the Armed Forces suffered a lack of leadership and discipline and the degradation of its combat capability and, frankly, serious resource shortages which are being felt even today.

The objective of our military assistance program today in the Philippines is to help the AFP cope with the security aspects of the insurgency. I emphasize the security aspects of the insurgency because coping with the insurgency requires attention to much more than simply security. The military assistance program looks at coping with helping the AFP cope with the security aspects of the insurgency by developing its capabilities to conduct counterinsurgency operations. This refers primarily to small unit operations, the kind that are used to counter small guerrilla forces.

There are three principal objectives in our program as it exists today: First, to restore military professionalism; second, to improve the capabilities of the AFP for basic combat and combat support functions; and third, to emphasize what we call force multipliers, by which I mean readiness, sustainability, training mobility, and command, control, and communications—those things that a small force make more effective.

Of course, the reason is that, relatively speaking, the AFP is a very small force: 155,000 personnel in a country of 57 million people, stretching over an area equal in size to an area from about the Canadian border of the United States to the Mexican border of the United States, involving some 7,100 islands. It is a very difficult military problem in those terms.

I would like to discuss briefly funding and planning of the security assistance program, how we implement the program and what kind of results we have received, the kind of equipment that would be delivered and the results we get from it.

In conjunction with the 1983 5-year review of the Philippines-United States Military Bases Agreement, the President of the

United States pledged in a letter to the President of the Philippines his best efforts to gain congressional approval of a package of $900 million in security assistance during the 5-year period from fiscal year 1985 through fiscal year 1989.

Those funds were broken down into $475 million in economic support funds; $300 million foreign military sales credits, that is loans; and $125 million in military assistance program grants for a total of $900 million.

To date, in the first 4 years of that 5-year best-efforts pledge, we have provided about $783 million in ESF, $29.4 million in foreign military sales credits, and $338.3 million in military assistance program grants. That comes to about $1.15 billion.

As you can see, we have already passed the amount that we pledged.

The fiscal year 1989 Presidential request to Congress was for an additional $424 million in ESF and $110 million in military assistance programs grants. It appears that the Congress may in fact actually include $125 million for an increase of $15 million over the President's request in military aid for fiscal year 1989.

So, looking at the 5-year period, the likely result, if we would include the fiscal year 1989 money that has not been appropriated yet, is that we will have almost doubled the amount of ESF that we pledged to seek. We will be short about $270 million in foreign military sales credits or loans. The reason for that is that President Aquino and her government asked that we not provide additional debt to the Philippines. So, instead of providing loans, we turned what we would have provided under the pledge as loans into grants, and we increased the amount of grants to about $463 million.

If you take the two military aid components, credits and grants, together, the best-efforts pledge equaled about $425 million for the two, and our probable outcome will be at $492.7 million. This does not include an additional average of about $2.6 million a year in international military education and training program grants to provide technical and professional military education for Philippine military students.

Let me talk briefly about planning. The initial planning for this 5-year package was done by Assistant Secretary of Defense for International Security Affairs, Richard Armitage, in a visit to Manila in January 1984. This resulted in the decision to emphasize three things: Improving logistics support, improving tactical ground mobility, and improving tactical communications, rather than trying to purchase expensive end items.

Subsequent planning was conducted in 1985, and meetings have been held throughout the 5-year period on a regular basis and, in fact, were supplemented by surveys by U.S. technical assistance field teams looking at specific problem areas highlighted to us by the AFP.

In 1987 the United States Commander in Chief—Pacific and the Armed Forces of the Philippines undertook a special joint study of AFP mobility requirements which produced through extensive research and planning a prioritized list of ground, air, and naval mobility requirements which we then used to plan subsequent acquisitions.

The success of this joint mobility study prompted the two parties, USCINCPAC and the AFP, to make a joint tactical communications study this year where we did essentially the same thing, prioritize the AFP's needs in tactical communications.

During our recent defense ministerial meetings in Washington with the Secretary of National Defense, General Ramos, General Ramos and Secretary Carlucci agreed to undertake another joint study, this time looking at the problem of air defense of the Philippines.

So, we have formal planning mechanisms, we have informal planning mechanisms, and together I bring them to your attention to assuage any doubts you might have that this is money simply handed out and not effectively programmed. We work together in determining how to use it and then we follow up on how we will use it.

Let me talk just briefly about implementation. Our military assistance program in the Philippines is based on government-to-government sales. This means the United States acquires an item from a United States vendor and, in turn, sells it to the Government of the Philippines. The purpose of this should be obvious to all, and it has met with the approval both the Government of the Philippines and, of course, the Government of the United States.

Our military aid program is implemented on the U.S. side in Manila by our Joint U.S. Military Assistance Group, headed by an Army two-star general with a staff of 26 U.S. military personnel and 5 U.S. civilians. Our initial emphasis during the 5-year period was on basic equipment, tactical mobility, tactical communications. Since President Aquino assumed office in February 1986, we have delivered $100 million in logistic support equipment, primarily spare parts, 1,200-plus trucks, over 1,200 jeeps, 36 UH–1 utility helicopters for logistics support and transport of small groups of personnel, 1,700 radios, and we still have a number of items in the pipeline. There are over 900 radios still in the pipeline this year alone.

In 1986 we also determined with the Armed Forces of the Philippines to increase our emphasis on individual soldier support; that is, combat clothing and individual equipment, as well as military medical equipment and medical care.

This decision was spawned by our observations of Philippine forces in the field and by a United States military survey requested by the Armed Forces of the Philippines and conducted by United States military medical specialists during April to May 1986.

The interest was heightened by the nature of the military grievances that emerged from the August 1987 aborted coup in Manila. Without going into too much detail, to give you a sense of what we have done in this area since President Aquino took office in 1986, we have delivered 225,000 uniforms, 34,000 pair of boots—and another 117,000 pair of boots that will be delivered later this year, $9 million in medical equipment, 1,000 medical bags for units in the field plus an emergency medical assistance program that brought in about 5 million dollars' worth of additional clinical medical equipment to Philippine military hospitals.

Having tackled the logistics mobility and communications problems and the individu~~al soldier~~ support problems, having tackled but not solved them, but having tackled them initially, the AFP indicated this year a desire to initiate a modest modernization effort. So, in the program this year we have things like the high utility mobile multiwheeled vehicle that the U.S. Army has acquired; a 77-foot patrol craft program, what we call the "patrol craft fast" or PCF program; and a limited number of light assault helicopter gunships.

We have also continued to accelerate deliveries to the Philippines. The Philippines not only has the highest priority worldwide for military equipment, but we also accelerate delivery of this equipment.

So, in sum, we have met our commitments as an ally. In fact, we have exceeded them. We have worked with the Government of the Philippines and the AFP to determine what the most compelling military equipment needs are.

We have raised the Philippines to the highest priority in order to fill these needs and accelerated the delivery of the equipment to make sure that it got where it needed to be.

We have established safeguards to ensure that the equipment acquired with United States funds is properly employed, and we have seen results: A better equipped, more efficient and increasingly effective Armed Forces of the Philippines.

Thank you.

Mr. Niksch. Thank you very much, Bill.

Bobby.

PRESENTATION OF RIGOBERTO TIGLAO, MANILA CHRONICLE

Issues in Future U.S. Policy, Military Aid

Mr. Tiglao. I am not an expert on United States military assistance to the Philippines. I will be talking more as a journalist, and I hope my comments will not add to the already unflattering assessment of journalists in the Philippines made by some people this morning. I feel I could help you out in your discussions by talking more about certain Filipino perceptions regarding military aid to the Philippines.

To give you an idea of what kind of perceptions these are, in some newsmen's circles in Manila, particularly among the circle of defense reporters, whenever the issue of U.S. military aid comes up, two things usually crop up in discussion.

These two things are helicopters and Hollywood movies, because in 1976 some newsmen tried to write a story that they could not write: An air force general was being investigated for leasing out without his superior's knowledge helicopter gunships for the filming of Frances Ford Copolla's "Apocalypse Now."

The general would not have been found out if not for the fact that one of the helicopters crashed.

More recently, another Philippine Air Force helicopter figured in an accident where it was being used in a movie starring Chuck Norris. These helicopters, of course, were acquired through still unpaid foreign military sales credits under the U.S. military aid program.

On a more serious aspect of the entire United States military aid program, helicopters once again figured when news broke out in 1985 that the Marcos government arranged through FMS credits a $63 million purchase in 1983 of Sikorsky helicopters. The Philippine military later found out that these were not really suited to the Philippine jungle terrain. I think the problem was that these helicopters had wheels for landing on concrete pavements, although the type of helicopters needed were those that could be landed in any jungle terrain.

I have not been working as a journalist this past year because of this fellowship at Harvard, but before I left Manila last year there was a move in the Aquino government to investigate fully reports of massive anomalies in the form of illegal commissions received by former Marcos generals and other Marcos cronies involving the purchase of military equipment from U.S. suppliers using foreign military sales credits. These involved such things as the purchase of a digital telephone system for $10 million and a microwave signals communications system which later on were found not to fit into the existing army wavelength system.

Quoting documents from the Defense Investigation Service, investigative journalists claimed that the agency found that $6 million were stolen outright from foreign military sales transactions.

I have so far not read anything since I left Manila on whatever happened by the move by the United States grand jury—and I think this was in Alexandria—investigating allegations of anomalies in the $17 million sales of the Philippine military by a United States-based company.

During that time I thought that with the Pentagon's tight control system, it would have been very unlikely for the Marcos government to skim off money from U.S. foreign military sales transactions. However, with investigations now of top level anomalies in the Defense Department, I am having second thoughts on whether there is some truth to this.

My point in relating to this is as follows: I think that in the entire spectrum of Philippine-American relations and United States aid to the Philippines military assistance has been viewed in many quarters in Manila as at best highly controversial and, at worst, an unwanted form of United States assistance.

There are different reasons for this. For one thing, there is a view that the U.S. Government has no right to determine what part of rent for the bases should be in the form of military aid.

Some of my colleagues were interviewing military officials, and they found that a number of Filipino military officials were not really that keen on U.S. military aid for a different reason, not for any nationalist reason.

They felt that as long as there is United States military aid, the Philippine Congress would not really bloat up the budget of the army. They would always be at the mercy of foreign military aid, and they could not really determine what they need.

Perhaps the more important reason for the unpopularity of U.S. military aid is the fact that it would take a long time for U.S. military aid to rid itself of the Marcos stain. I think it was Benino Aquino while he was in the United States who warned that "the Marcos dictatorship's sin may rub off permanently on the United

States." I think this, in fact, is what happened in the case of U.S. military aid.

What I mean here is that especially in the early years of the Marcos dictatorship, U.S. military assistance was one of the major factors for developing Mr. Marcos' military machine. Indeed, a U.S. Congresswoman as early as 1977 said that U.S. military aid escalated from $80 million in the 4 years before martial law, to $166 million in the 4-year period after its imposition.

Even after Aquino was assassinated in 1983, there was a belief that a coup d'etat against Marcos was virtually impossible since General Ver acquired through U.S. military aid sophisticated military weapons such as antitank missiles, armored personnel carriers, and helicopter gunships that would be able to crush any attempt at a coup d'etat.

This was, I think, the reason why Aquino in 1985 publicly opposed the retention of the United States military bases in the Philippines, believing that military aid under the bases agreement was a major support for the Marcos regime.

This belief, in fact, was proven correct in the February 1986 revolt. The defection of helicopter pilots to the Aquino camp tilted the balance of power against Marcos.

Another reason for the absence of any popular enthusiasm for United States military aid is the fact that, at best, military aid to the Philippines is just too abstract for the man on the street. At worst, U.S. military aid becomes concrete only in TV news footages showing soldiers defying the civilian government and armed with sophisticated apparently U.S.-made weapons.

It also became concrete when news broke out that a U.S. officer with the Embassy in Manila—apparently in a job as a military adviser—was a godfather to Gringo Honasan.

As a result of the Marcos years, the military in our country has become a very unpopular institution. It acquired a new heroic image during the 1986 revolt only to lose it again because of the several attempted coup d'etats by military factions against the Aquino regime and the proliferation of the so-called death squads which many believe are controlled by the military.

The military's image worsened after the incident on August 28 when military rebels killed civilian onlookers who were merely heckling them. U.S. military aid, therefore, is logically viewed only as assistance of an unpopular organization, corrupt and wealthy under Marcos, bloodthirsty and power hungry under Aquino.

I think there are really serious questions that should be addressed with regard to U.S. military aid aside from the numbers and the absolute amounts of dollars.

One is the question of continuing human rights violations conducted by death squads and by Philippine military units.

One of my countrymen this morning questioned the terminology, "vigilantes." I think he is quite right. By no stretch of the imagination can we call these groups vigilantes at all. I mean, these are simply death squads. How can you call "a citizen volunteer army," a Tadtad group which kills people at whim and sometimes eats the brains of their victims? By no stretch of the imagination can you call these "volunteer groups."

One of these death squads assassinated a labor leader in 1986, stuffed newspapers in his mouth and pulled off his pants. Is this the "volunteer citizen army" that one can speak of?

It must also be remembered that in the last years of the Marcos regime, the United States Congress restricted the type of equipment that could be delivered to the Armed Forces of the Philippines. The U.S. Congress also altered the military-economic mix under the compensation package for the bases.

The reason for this was not that the U.S. Congress did not like Marcos. The reason given was that military aid would be restricted until the Marcos government could take steps to stop human rights abuses in the country.

While I do not question in any way the integrity of President Corozon Aquino, I do not know why the same logic should not apply with regard to the present government in my country.

Amnesty International as well as the Lawyers Committee on Human Rights very recently have issued reports detailing human rights violations and killings undertaken bt these death squads. The military and Aquino government itself has been charged to be culpable for this at the very least because little has been undertaken to contain the death squads.

Ambassador Rabe mentioned earlier that 72 cases are in the process of prosecution, but what has been happening is that witnesses are being frightened. Witnesses fail to appear at the next hearing, and later on we find out that they have been threatened. So, with little support, really, from the government, these prosecutions cannot really prosper.

I disagree with the idea of any form of U.S. pressure on our domestic affairs, but I would have to say that it would be immoral for the U.S. Government to extend military aid if such aid directly or indirectly is used only in violating human rights.

This, I think, leads to what I think is one of the basic questions regarding United States military aid to the Philippines which Dr. Kessler addressed. The question is this: Military aid to what? Is there a single institution in our country that could be called the Philippine military? Because such an institution has a monopoly over arms, a democratic setup requires a unified military organization with a definite chain of command and under control of the civilian authority.

However, events that have transpired in the past 2 years as well as the information we continue to be getting point to an unfortunate conclusion. We can speak only of a multiplicity of power centers, both in the civilian government and in the military.

Despite the crushing of several attempts at coup d'etats, there is still a divided military which apparently does not look up to their supreme commander. One reason for this state of affairs is that there continues to be different factions in the military. You have heard so often about the RAM. There is also the Guardians Brotherhood. There is the Marine Reserve Officers Organization. There is the MOVERS, which is the Marine Officers for Virtue Enlightenment, or something like that. There is the Movement of Naval Reserve Officers, and there is still the clandestine Nationalist Army of the Philippines, composed of diehard Marcos loyalists.

These are not mere fraternities. They virtually superimpose a different chain of command on the military structure to the point, for example, that General Ramos, then the chief of staff, reportedly had to plead to the army major who led one of the fraternities not to join the August 28 coup attempt.

The other question I am raising is this. With a factionalized military organization or, more accurately, a set of military organizations whose loyalty to the civilian President is uncertain, would the United States really be sure which military it would be assisting?

I'll stop there.

Mr. NIKSCH. Thank you very much, Bobby.

Well, I think we have had some very provocative and very informative comments by both of our speakers. So, let us have some questions and comments from the audience.

Yes.

A VOICE FROM AUDIENCE. There is a perception back in Manila that the military equipment that is delivered to the Armed Forces for the Philippines consists of junk or secondhand things that turn out to be ineffective or of short-run effectiveness.

Would you like to comment?

Colonel WISE. Sure. You raise a very good point that has been made by some parties in Manila. The facts of the matter are that we determined with the AFP early on that we could acquire for the Armed Forces of the Philippines UH-1H helicopters at a tremendous savings rather than new helicopters that were more expensive and less applicable to the Philippine needs. These helicopters are fully reconditioned, rebuilt by our facility in Corpus Christi, TX, that does it for the U.S. Army. The helicopter that comes out of that facility is essentially a new helicopter. It has the same lifespan as a brandnew helicopter. So, we have made available to the Philippines this reconditioning process as well.

But in addition to that, at the time that President Aquino and General Ramos determined that more helicopters, more helicopter mobility, was required and required quickly, we also took from existing U.S. Army units UH-1H helicopters and sent them through our Corpus Christi facility for a quick reconditioning and made them available immediately to the Philippine Air Force.

What the Philippine Air Force is flying in most cases is a helicopter that the United States Army was flying a few years earlier. Not only do we not send "junk," but we send equipment that is the same as U.S. equipment, and often has just recently been pulled from the U.S. units.

A VOICE FROM AUDIENCE. Are you saying, Colonel Wise, that the decision to choose brandnew or secondhand rebuilt reconditioned belongs to the Philippines?

Colonel WISE. Yes, and it is a decision taken for financial reasons because the cost of a new helicopter would overwhelm the security assistance budget, whereas the AFP could get the product, the UH-1H, most directly useful for Philippine Armed Forces needs. The AFP got that equipment at a better price by using this reconditioning and refurbishing system.

A VOICE FROM AUDIENCE. Is there anything in the military assistance——

Colonel WISE. Excuse me. Let me just add one point.

My understanding is the UH-1H helicopter production line was stopped several years ago. They do not make them anymore. So, in the U.S. Army when a helicopter gets a certain number of flying hours, we put it through the Corpus Christi facility, recondition it, and turn it out the other end, and it has the same lifespan as it did when it was new.

So, this is not something unique or done only for the Philippines.

A VOICE FROM AUDIENCE. Is there anything in the military assistance program that could enable the AFP to make a definite shift from its current military operation against the insurgents from bigtime operation to a kind of a warfare tactic that would respond to the guerrilla tactics being used by the insurgents?

Colonel WISE. Well, in fact, that was the process I was describing that began in earnest in January 1984. We made the point to our AFP colleagues, and they agreed, that the U.S. security assistance program for fiscal years 1985 through 1989 ought to be tailored to meet small unit needs of a counterinsurgency force.

So, when I mention the UH-1H helicopters, I am talking about equipment that is especially useful for small unit movement. When I talk about jeeps and 2½-ton trucks, I am talking about ground mobility equipment especially useful to small unit movements. In fact, the program that we built together in the last 4 or 5 years is tailored exactly to what you described.

A VOICE FROM AUDIENCE. Defense Secretary Ramos and high-ranking members of the Philippine military have come up publicly in support of the use of civilian volunteer organizations for use in the counterinsurgency.

What is the view of the U.S. military on this civilian use?

Colonel WISE. Well, first of all, let me be clear about the military assistance program. The equipment in the military assistance program goes to the Armed Forces of the Philippines for use by the Armed Forces of the Philippines. It cannot be used under our law by civilian organizations. We are not in any way funding or equipping civilian volunteer organizations.

So, if your question was headed in the direction "Can we provide that kind of support," the answer is "No." As far as what the Philippines chooses to do about these organizations, Assistant Secretary Armitage has spoken on this in congressional testimony on several occasions. It is a decision, of course, that President Aquino has taken, and we respect her decision.

We are mindful of the difficulties that can occur when these organizations and civilians are armed. The executive order that she signed specifically precluded arming of these groups.

A VOICE FROM AUDIENCE. If I could just follow up related to that, the civilian volunteer organizations use U.S. weaponry, M-16 armaments. Now, they come from the United States.

What role can the United States play? You say legally they cannot have these weapons.

Colonel WISE. Those weapons do not come from the U.S. security assistance program. The United States does not provide M-16 weapons or ammunition to the Government of the Philippines.

My understanding is that the Armed Forces of the Philippines had a license from Colt to manufacture Armalite rifles. Small arms and automatic weapons are manufactured in the Philippines and the ammunition is manufactured in the Philippines, by the Government of the Philippines.

Mr. NIKSCH. Bobby, did you have something?

Mr. TIGLAO. There is a license to manufacture M–16's. There is a license with Colt, and from what I know, the startup funds for this factory were provided under the foreign military sales credits or foreign military aid program under the self-reliance concept.

Colonel WISE. I do not know when that program began.

Mr. TIGLAO. The Colt Corp. is paid funds under this program.

Colonel WISE. To the best of my knowledge, whatever funds are used are not from our security assistance program.

A VOICE FROM AUDIENCE. I have just a short question for Mr. Tiglao regarding perceptions in the Philippines. I do not know whether it was your own assessment or you were depicting a perception as a journalist would report it. You made a very instructive although perhaps quite sweeping indictment on the use of military aid for the violation of human rights in the Philippines. Correct me if I am wrong in drawing that conclusion, but that seemed to be how it got to me.

Perhaps there is one perspective as your capability as a journalist. Would you also be able to make observations as to what perhaps might also exist in the Philippines as far as perceptions that have a bearing on the capability and the weaknesses of the military forces in the Philippines which, after all, any sovereign country, any nation perceives as a necessary component if it has to rule itself for defense or for military purposes?

Are there other perceptions other than the use of military aid in the violation of human rights that you may perhaps have perceived or observed in your work as a journalist?

Mr. TIGLAO. Definitely there would be other perceptions. For instance, some members of the cabinet support the idea of, as they call it, the vigilante groups. But my point is, for one thing, this violates the Philippine Constitution. They say it is in agreement with the constitutional provision that citizens can arm themselves, but what is provided for in the Constitution is that such armed citizens should be under the command responsibility, or under the provision of a member, a full-fledged member of the Philippine military.

So far, there have been a lot of killings by these death squads. Yet there have been no prosecutions. No military officer has been jailed for this.

If your question is whether there are other perceptions, I think it has been pointed out early in the morning that the problem with this kind of conference is there is really no monolithic kind of Filipino view, and this, I think, is a mark of a democracy. There are various views being raised now that I think should be properly addressed.

Colonel WISE. May I add just a point to that, also? I did not respond to the suggestion that perhaps there should not be a military in the Philippines or, if there is one, that it should be ignored by the United States because I thought on its face that had some problems for a country that has a treaty relationship with another democratic, allied country.

But there are a wide variety of opinions in the Philippines on the subject of Philippine Armed Forces, but I doubt that there is very much debate over whether or not the Philippines as a sovereign nation needs an armed force. There is certainly no debate over whether or not there is a mutual defense relationship between the Philippines and the United States. There is, because we have the Mutual Defense Treaty that indicates that.

There are commitments that the United States Government has made to the Government of the Philippines in pursuit of this relationship. It is on that basis, and with our respect for President Aquino and her government, that we do provide assistance and that we have provided assistance.

Also, you made one point about the Sikorsky that I would just like to elaborate on. You are correct when you say that the Sikorsky acquisition was controversial in the Philippines. It was shortly after that, in December 1984, that the Department of Defense and the Department of State in the United States issued a policy which provides for only government-to-government sales of military equipment.

The Sikorsky acquisition was a private commercial or a government-to-commercial vendor sale. That did not involve the U.S. Government directly, but it was done with the U.S. security assistance credits.

The same is true of the Amworld acquisition. Just to update you, on December 15, 1987, a plea bargain was entered in the U.S. District Court where the principals in this case pled guilty to filing false claims with the Department of Defense and filing false tax returns and were fined as a result and the assets of their company frozen during litigation.

So, the U.S. security assistance system uncovered the Amworld problem. We investigated it. We prosecuted the guilty parties.

A VOICE FROM AUDIENCE. I am by no means claiming to be an expert on the Philippines, but I am a little confused by your statement that United States military aid is too abstract a concept for the man in the street.

Do you see this as possibly inconsistent with what you also said, that military aid is being used by those in the Philippines from some sectors to commit human rights abuses? Can you comment on that?

Mr. TIGLAO. By that I mean it is the old question of any type of foreign aid: It is not guns and bullets which matter. It is the bread-and-butter kind of issue. Even if you pump in $1 billion in military aid, the man on the street feels that it is a military issue; it is not bread and butter. That is what I meant.

On your second question, I am not saying that military aid has been directly used for human rights violations, but what I am pointing out is that we have a military which has been accused of human rights violations and the civilian government has not undertaken sufficient effort to contain these human rights violations. I must say that Amnesty International has detailed certain steps the government should take in order to prevent this, like enforcing strictly the principle of command responsibility, the provision of full military protection for a witness program and several others I do not think, unfortunate to say, that our government has made efforts to address these recommendations.

My point is that as long as there are still charges of human rights violations on our military, I do not think it is moral for the U.S. Government to continue to extend assistance to such a an institution.

What I am worried about also is that it might later on erupt into bigger problems like an interpretation that the U.S. Government is directly involved in these human rights violations.

This morning Ms. Denton said there was a lot of good feeling about Americans. This is true, but you should note that in the period since 1986, there has been a big shift in Filipinos' feelings about the United States.

What I am pointing out is that if certain things are not changed, there could be an entire turnabout in Philippine sentiments regarding the United States.

Mr. NIKSCH. Let us have one more question.

A VOICE FROM AUDIENCE. This is an obvious question. Is it the Philippine Armed Forces in a sense, though, that is defending the Philippine nation against an even greater violator of human rights, the New Peoples Army?

Mr. TIGLAO. But it is different when you condemn, let us say, the New Peoples Army because it has no legal personality. But when you have a state that is supposed to represent an entire people committing human rights violations, a state or its arm, it has opens up the entire framework of democracy. It is a concept of vigilantism.

I mean, if you let, for example, the New York subway vigilante organize groups to kill criminals, you would wreck the entire fabric of your democratic system.

Colonel WISE. We may be mixing apples and oranges here. The fact of the United States military assistance program is that it is intended to assist the Philippine Armed Forces to develop its own capabilities to defend its own people against a very clear and present danger.

As Don points out, as far as human rights abuses are concerned, one does not have to look very much further than the New Peoples Army to find a well-documented, extensive record of abuse and threat to the population. No government, it seems to me, would be morally correct in leaving its population undefended. That is what the Armed Forces exist for.

Mr. TIGLAO. That is true; but on the other hand, when you have a particular labor leader from the left of center and a former NPA commander saying that they should give up arms and because he is in the city he becomes a target of vigilante squads, what you achieve is a mere polarization of society.

Colonel WISE. Well, no one is suggesting that terrorism on that side or any other side is appropriate, but neither is the suggestion reasonable that the Armed Forces of the Philippines should either not exist or exist to defend itself, nor that the United States as a treaty ally should support the Armed Forces in its legitimate national self-defense objectives.

A VOICE FROM AUDIENCE. Just to respond to the last statement, in the two cases that you mentioned, the labor leader from the left center and then the former rebel leader opting to enter the political arena in a peaceful way and they were killed, you said, by death squads, would it not be possible that in those particular instances they were the victims of the NPA themselves?

Mr. NIKSCH. You are referring to Olalia and Buscayno? Buscayno is still alive. He was wounded. I would clarify that. Olalia was murdered.

A VOICE FROM AUDIENCE. I was just raising the possibility for seeking the peaceful ways of struggle, parliamentary struggle, they could have been the victims of the rebels themselves for asserting the cause.

Mr. TIGLAO. The latest news, I think, is the fact that one of the people who was arrested was a colonel in the Armed Forces.

Mr. NIKSCH. Well, we have had a fair amount of controversy in this panel. I frankly thought we probably would save that for the last panel, but perhaps this is a good leadin to the last panel, which is on the negotiations over American military base rights.

As we have heard, this is very closely connected with United States assistance and the promises or pledges of best efforts made by various United States administrations to the Philippine Government under various amendments to the military bases agreement.

Stan Roth will talk about the bases negotiations and give us his perspective on how they are proceeding and what we likely can expect in the future.

I am going to ask Bobby to stay on and give us a few extemporaneous comments along with Mr. Vicente Foz, who has just arrived in this country from Manila and has been on the scene watching this very vigorous debate that is going on in the Philippines over this issue of the American bases.

I would like to thank Bill and Bobby for these very, very good talks on this topic that we have just finished.

Let me introduce Stan a little bit more thoroughly. Any of you who have followed American policy toward the Philippines over the last 5 years at least are aware of the very important role played by the House Subcommittee on Asian and Pacific Affairs, which has been chaired by Congressman Steven Solarz.

The man who directs the committee staff and has done so much of the work with regard to that committee's involvement in the Philippines is Stan Roth. He is one of the most knowledgeable Americans in Washington or in the country as a whole about the various issues which we have discussed today concerning Philippine-American relations.

So, without further ado, let me ask Stan to proceed.

PRESENTATION OF STANLEY ROTH, HOUSE SUBCOMMITTEE ON ASIAN AND PACIFIC AFFAIRS

ISSUES IN FUTURE U.S. POLICY, NEGOTIATIONS OVER MILITARY BASE RIGHTS

Mr. ROTH. After that introduction, I am a little hesitant to speak, for fear that I can't live up to the expectations Larry has created. What I thought I would try to do today is to set the context for the bases review before dealing with the issues in the review itself. I'll conclude with some speculations about the prospect for the successful conclusion of the review.

Without understanding the context of the bases review, it is difficult to understand what has transpired thus far. First of all, we have to recognize that we are dealing with a very different atmosphere from the two previous reviews. As you probably know, under our bases agreement with the Philippines we have the bases and access to the bases until 1991, and then it is only terminated if the Philippine Government chooses to terminate it with OAC.

Under the new Constitution of the Philippines, they have decided to terminate the agreement and to negotiate a new agreement that will have the status of a treaty. From the point of view of the United States, when we talk about the bases negotiations, we mean whatever transpires in the context of the expiration of the treaty in 1991 and the new negotiations.

We like to call what is going on now a bases review. The two previous reviews took place in the context of the Marcos dictatorship. Essentially, we were negotiating with Marcos. We were not negotiating with a viable Philippine Congress at that time. We were not negotiating in an atmosphere where there was a free press which would talk about the agreement. We were not negotiating in an atmosphere where you had an opposition that was free to criticize the agreement in any significant way.

We are now undertaking a review in an atmosphere of, I would say, heightened nationalism. One of the results of the February 1986 revolution that restored democratic government—and some of the Filipinos present would be much more qualified to speak about this—is that there is now a much increased sense of Filipino pride in their country that they threw off Marcos by themselves, no one else did it for them; and that now they are going to have to be treated somewhat differently than they were in the past.

Therefore, we have a changed political environment, because of the restoration of democracy. We have one of the most active presses in the world, certainly a free press. We have a particularly active Filipino Congress with two houses and a number of committees involved in the review. Some of the members of the Congress are involved in the negotiations themselves, which is a new factor.

Also, one of the factors that differentiates this review from the previous reviews is the fact that it is so close to the fundamental renegotiation that will take place some time in the 1990's. It is not clear to me when the actual negotiations will start, whether it will be 1990 or 1991.

We are really only talking about reaching an agreement that will run 2 or 3 years in this review, rather than a 5-year proposition. We will not be negotiating aid levels out into the 1990's or anything like that.

And finally, we have the added complicating factor of the presidential elections in the Philippines in 1992, for which a number of people are positioning themselves to run as candidates. The bases are a major issue for all of them, and it certainly influences the positions that they take.

So, we have a very complex environment compared to what we had in the two previous reviews. But let me also say parenthetically that if that is the price that we have to pay for democracy, I, for one, am prepared to pay it. I think that the United States Congress, in general, would agree with this proposition, that we would much rather be dealing with a democratic Philippines, no matter what difficulties we face with the review, than go back to the Marcos years.

Nothing I have said about the negotiations environment should lead anyone in this room to believe that I would prefer to have Marcos back to deal with. Far from it, I think that if Marcos were still in office we probably would be talking about the NPA coming to power in the 1990's, with the certainty that the United States would no longer have access to the bases in the Philippines. So, please do not misinterpret my remarks.

In terms of the issues in the review, the United States and the Philippines have come at it from very different perspectives thus far. Let me start with the U.S. perspective, since I am more qualified to speak about that.

As I have already mentioned, we are talking about a review. The U.S. position is that at this point what we are really negotiating is compensation levels for the next couple of years, as well as any kind of technical fixes that are necessary for any of the numerous agreements that we have with the bases, whether it be on labor unions or court jurisdiction and the like. Basically, the United States perspective is that the system is not broke, so do not fix it, that it has worked remarkably well since the last bases review; that there have been few impediments; that privately most Philippine Government officials will concede that the bases agreement has worked quite well and there have not been a lot of the difficulties that marred some of the earlier years.

And so our hope is that we can put off many of the larger issues until the renegotiation occurs in the nineties.

The other predominant point of view from the U.S. perspective is that we simply do not have an enormous sum of money to provide as compensation for the bases. It is unrealistic to talk about billions of dollars each year in military and/or economic assistance as the price for the bases, because given the budgetary situation in the United States, and particularly the budget summit agreement the funds simply are not there to do that. And Secretary Shultz said as much some time in the last few weeks.

The Philippine perspective, at least thus far, has been quite different. Their feeling has been that there are a number of issues that should be addressed now and that there is no reason to put them off until the 1990's.

Let me discuss the three biggest issues in the negotiation from the Philippine side. The first has been the nuclear issue. I think most people in the room know that the Philippine Senate has passed a piece of legislation which it claims is consistent with the Philippine Constitution. As you know, the Constitution calls for a nuclear-free Philippines, "consistent with the national interest," which is a very ambiguous phrase that is open to interpretation.

The Senate bill closes the interpretation. Basically, it would shut down the U.S. bases. What it does is not only can you not have nuclear storage or nuclear testing in the Philippines, but you cannot have any transit. Furthermore, it creates a commission to go out and investigate whether any ship coming into Philippine territorial or waters has nuclear weapons. Similarly, the United States would have to declare for each aircraft entering Philippine airspace that it would not have nuclear weapons aboard. There would have to be inspection of every inch of the bases to make sure that there were no nuclear weapons present.

Nuclear-powered warships would not be permitted to enter Philippine waters, although on the commercial side I believe they would be permitted.

Secretary of State Shultz made it quite clear a couple of weeks ago—and I think there will be complete support for his position in the Congress—that if this bill passed into law it would be the end of the United States bases in the Philippines. The United States Navy could not operate under those circumstances, since it breaches our global "neither-confirm-nor-deny" policy. Therefore, we would be forced to leave the bases.

There is no doubt about that from the U.S. perspective. So far, in terms of action in the Philippines, I understand that, although two bills have been introduced in the House, they have not been reported out of committee. No action has been scheduled for a floor vote and the President has not said what position she would take if a bill indeed did emerge from the House and went through a conference committee and was presented to her for signature.

The second issue I think is somewhat different in nature. This is the issue of unhampered access: Under what terms can the United States operate its forces?

What makes this a more complicated issue is the fact that the United States has different terms of operations and access in the Philippines than in many of its other countries where it maintains bases.

In Europe, for example, with our NATO allies we do not have unhampered access. We have the right to use the facilities in the NATO context, but we need to get permission from the countries when we want to operate out of the area.

And so, for example, we had to request permission from Spain and France, both of which denied it to us, when we wanted to conduct the Libya raid. In the Philippines we have not had that type of arrangement, where we have had to get the permission of the Philippine Government to operate out of theater.

Consequently, from the Philippine perspective, the difference between what is going on in Europe and our other bases and how we have operated up until now in the Philippines is a major issue.

Finally, we come to the issue that most people, although not everybody, assume is the largest issue: compensation.

I think everybody agrees that there is going to be an increase in compensation. Under the previous review, the United States agreed to make a best-faith effort to get $180 million a year for the Philippines. in combined military and economic assistance. It roughly broke down to $95 million a year in economic aid and $85 million a year in military aid.

In actuality, the United States will have far exceeded those assistance totals over the 5-year period of this agreement, primarily because we have poured in aid after the democratic revolution and have been averaging somewhere between $400 and $500 million a year in aid for the past 2 years.

Nevertheless, in terms of bases-related aid it has only been $180 million a year. Everyone agrees, the United States and the Philippines, that it will go up. The question is how much. This has become a very heated debate.

Foreign Secretary Manglapus has made some statements to the effect that the bases are primarily in the United States interest and not in the Philippines' interest, and that if we are not willing to pay a lot more for them and to pay it as rent, meaning we just give the rent as a cash transfer, then we should be prepared to leave.

This has caused a lot of heartburn in the United States. The feeling here is that the bases serve our mutual interest, that the Philippines has as much an interest in regional security as does the United States. Therefore, the bases are in the Filipino interest too, and should not be viewed as serving only the interests of the United States.

Furthermore, we have a global policy of not paying rent for military facilities. We do not pay rent to Spain, to Portugal, to Greece, to Turkey, to Morocco, to Kenya, to Somalia, and we are not going to start paying rent to any other country, including the Philippines, no matter how important the facility is.

Finally, there is the question of what can the United States afford? And I think it is clear from some of the speculation in the Philippine press that the expectation is that the Philippines will receive several billion dollars a year as rent for the Philippines.

And it is just as obvious, when we have a $10 billion bilateral foreign aid program globally, that we are not going to be able to provide $2 billion a year just for rent money for the Philippines.

Now, somebody might ask me, How can we be talking about a mini Marshall plan with the notional figure of $2 billion a year on one side and then saying we cannot afford $2 billion a year for rent on the other?

The difference is that the mini Marshall plan—and excuse me that I was not here for Hank's presentation—but just to make the point, the mini Marshall plan is a multinational initiative in which the United States would be a relatively small donor.

I think the notion is that of the $2 billion a year, $1 billion would come from the private sector in debt-equity swaps and new investments. Another billion a year would come from governments. Of that, the lion's share of it would come from other countries and the multilateral development banks. The U.S. share would probably be somewhere between $250 and $350 million.

The details of the mini Marshall plan have not been finalized yet, but it is clearly not a proposal for $2 billion a year in new U.S. Government assistance. So, there is not a contradiction between the idea that we want to proceed with the Marshall plan and the notion that we cannot afford $2 billion a year in rent for the bases.

So, where does this leave us? Well, it is hard to say. I do not have a crystal ball. Personally, I think the review negotiations are just getting serious. I think that both sides have been putting forward their initial positions. That is not unusual in negotiations.

And now I think the hard bargaining remains to be done. I think it is possible to envision compromises on most of the issues.

On the nuclear issue, one can imagine the United States agreeing not to store or test nuclear weapons in the Philippines. I think our Armed Forces could live with that.

I think on the access issue one could come up with some language on prior notification and prior consultation that should go a long way to satisfy Filipino concerns.

On compensation, I think that, one, if we make progress on the Marshall plan, it will somewhat remove the pressure to come up with a large compensation agreement in the bases review. This is not because there is a formal linkage—there is not—but just as a practical matter, if you are getting more from one pot, you need less from the other pot.

Also, I think that the United States will come up with an increase in compensation in the review. So, some of the Philippine concerns about more resources will be addressed.

I know there has been some optimistic talk about coming up with an agreement by the end of July. It remains to be seen, whether that optimistic target can be met. But I think when one looks at all the factors and one looks at the historical relationship between our two countries, when one looks at the economic importance of the bases for the Philippines, when one looks at the fact that this is only a review and not a fundamental renegotiation and that the United States is going to be there anyway until 1991, barring the passage of the nuclear legislation, I think that the most likely outcome is that we will come to a successful agreement.

It may be difficult. We may lose our tempers at each other from time to time. But I think in the final analysis, we will come to an agreement.

Mr. Niksch. Thank you very much, Stan, for that very cogent presentation of these talks and of these basic issues and the framework of what is happening now as against the broader context of what will happen after 1991.

Let me ask Mr. Foz if he could make a few observations from the Filipino perspective on these talks.

By the way, if I did not mention it earlier, Mr. Foz is here from Manila under a grant from the United States Information Agency. He is a senior journalist from the Manila Bulletin, and he was a member of the Constitutional Commission of 1986, which drafted the present Constitution of the Philippines.

And we are very happy that he and his colleague, Mr. Wong, were able to attend our conference today.

PRESENTATION OF VICENTE FOZ, MANILA BULLETIN

Issues in Future U.S. Policy, Negotiations Over Military Base Rights

Mr. Foz. I really did not know when I came here that I would have to sit down on the panel with the gentleman here and be asked to say something about the military bases in the Philippines. So, while the other speakers were going through their chores, I was able to jot down a few notes which, with your permission, I would like to read.

There is a debate going on back in Manila on the U.S. bases. The question is, What are the changes needed in the existing military bases agreement? But I think the more important question is whether after 1991 or 1992 at the expiration of the military bases agreement, these bases will be allowed to remain or will have to go.

The debate is carried on mostly in the press, and when I say "press" I mean that in Manila and the urban centers in my country, because the metropolitan papers in metro Manila are mostly circulated in that area. From 80 to 90 percent of the copies of the 20 or so papers are in that region, and the balance circulated in the rest of the urban centers throughout the country.

Of course, the debate is also carried on in forums such as Rotary Clubs, Jaycees, and other civic organizations. But I would say that the discussion has not reached the masses of people.

The importance of the debate involving the people is indicated by the constitutional provision itself with regard to the issue of the presence of a foreign military base in the Philippines.

I recall that the provision runs something like this: "After the expiration in 1991 of the agreement between the Republic of the Philippines and the United States of America concerning military bases, no foreign military bases, troops, or facilities shall be allowed in the Philippines except under a treaty duly concurred in by the Senate and, when the Congress so requires, ratified by a majority of the votes cast by the people in a national referendum held for that purpose, and recognized as a treaty by the other contracting state."

A plebiscite should be preceded by a national debate aimed at arriving at a rational decision.

The provision speaks of expiration of the agreement in 1991, whereas the military bases agreement itself, as amended, provides that at the end of 25 years from the time the amendment was made, it shall be subject to termination 1 year after notice by either side, which means that if notice is served September 16, 1991, it will actually terminate on September 16, 1992.

Whatever debate is going on, it cannot be said that both sides of the issue are represented. The antibases stand, which is largely articulated by quarters left of center, is much heard. But the other side is not.

About the ongoing review of the agreement, which is provided for by an amendment, there is the perception that it should be transformed into a preparation for what is going to happen upon the termination of the agreement.

Under the Constitution there is no way for the agreement to be extended beyond 1991, as mentioned by the Constitution, or 1992 under the MBA. So, the agreement must go, but that does not exactly mean the bases will also go.

Under the Constitution, there is a mandate that the existing agreement must end in 1991. So, long before that date under this view, both sides must prepare. The Philippines must decide even on this date, after a serious study, whether it should allow the bases to remain or it should tell the Americans to remove them.

The question of bases is a difficult one for the Filipinos. No one issue, as I see it, would have a bigger impact on Philippine-American relations. The Americans consider the bases important to their global strategy. If that is how important the bases are, should not the United States be willing to shoulder a much bigger financial obligation than it is now discharging?

The Americans often cite the experience with other countries hosting U.S. bases. The host nations even spend for the maintenance of the bases and do not require U.S. compensation or assistance.

But these nations are considered rich countries who can afford what they are doing. The Philippines, on the other hand, certainly is not in the same situation.

Recently, I asked some American officials what would be the nature of Philippine-American relations should the United States be prompted to remove the bases. Their answer was, first of all, the question was hypothetical, and they were very optimistic that it would not come to pass.

I was interested to know exactly how the United States would treat the Philippines in the event that the bases were closed down. For instance, would the United States be as enthusiastic as they now appear or as it now appears to help out the country, especially with the so-called mini Marshall plan?

Would the United States continue to provide economic and military assistance to the Philippines? We could only speculate.

We were of course assured that the United States would continue to be interested in the survival of democracy in the Philippines and, even without the bases there, that the United States would continue to be interested in a stable and prosperous Philippines.

On the other hand, I thought I got a more practical response from a ranking Government official in Washington, who said there is the possibility that, while the Executive Department would continue to be sympathetic to the Philippines, the real problem would lie with the Congress, the United States Congress.

Members of Congress might ask, he said, "What is the point, the whole point of giving money or providing assistance to the Philippines, if we are not needed there?"

Of course, I think the Filipinos would find it quite difficult to decide that the bases should go, not only because of the long association between the two countries, the so-called special relation, but because in view of the present difficulties in the country, the Filipinos would have to be practical about the whole thing.

Mr. NIKSCH. Thank you very much, Mr. Foz. And I would like to give Mr. Foz my special thanks for preparing I think those very cogent and provocative remarks on a very short notice.

He is right, I asked him today if he could say a few words about this issue after Stan's presentation. And I think he most ably carried out that role and raised, I think, a very important question about the future: What would happen to this relationship that we have talked about today if base rights are not renewed after 1991?

And in looking at the future, at least with the possibility of this event taking place, that question I think becomes as appropriate as what are the chances of a renewal of base rights after 1991?

So, let us have some questions on this issue from all of you now.

A VOICE FROM AUDIENCE. The official who characterized your question as hypothetical, what is your view about the obvious question of the likelihood of the bases remaining? And I am also curious about your reaction, Mr. Tiglao. Say 1998, 10 years from now, will the bases be there?

How would you characterize the probability?

Mr. Foz. Do you mean the government official?

A Voice From Audience. No. Do you think Clark and Subic will still be U.S. bases in 10 years?

Mr. Foz. I think much of that would depend upon the developments over the next couple of years. We have just seen an agreement reached between the two superpowers to do away with the ballistic missiles. There is the view that, with this initial agreement, if the two countries would move forward in the same direction, then perhaps the bases would not serve its current purpose, so that in the next few years the bases would no longer be as necessary or urgent as they are today.

A Voice From Audience. So, you would bet "No," that the bases will not be there, if you had to bet? [Laughter.]

Mr. Niksch. Bobby, would you respond to that?

Mr. Tiglao. You could put it this way: Because if it expires in 1991, under the constitution the treaty would require two-thirds of the Senate, which is 24 Senators. Their terms expire in 1992, the Senators. Now, out of the 24 Senators, 9 have come out publicly that they do not absolutely—would like the withdrawal of the U.S. bases. Five are still—have not decided.

And recently, Senator Estrada, which in the Philippines is more popular than Ronald Reagan because he was an actor, too, you see—he is very popular with the masses—came out with a position that he is for the withdrawal of the bases.

So, sheer arithmetic, 14 would defeat any two-thirds vote in the Senate.

A Voice From Audience. Given the sense that any action the Senate might take in the Philippines now is somewhat on the basis or on the nuclear issue is somewhat meaningless, insofar as the final effect in the next year, let us say, as long as Mrs. Aquino retains her options, can we tell anything about what the Senate is doing?

Is anything that the Senate is doing now meaningful in the end?

Mr. Roth. Sure. If that bill that came out o the Senate passes, even though the United States would have the right to remain in the bases until 1992. They would not be usable to us under the circumstances.

So, that has a real effect on what we do. It is certainly significant.

A Voice From Audience. I understand the significance if that bill was to get through both houses. The fact is, does anyone expect when they are taking these actions now, does anyone expect those courses—I mean, it is a speculative question, obviously, but does anyone expect that?

Because it does not seem to me in my readings that it will.

Mr. Niksch. I think what you are asking about is the concept of a throwaway vote in which a politician will vote on what he considers to be the popular side of an issue, knowing that the entire legislative body is not likely to pass this provision, and if he felt the other way he might vote in exactly the opposite way.

Is that what you are getting at, that kind of phenomenon?

A Voice From Audience. Yes. Are we going to see a series of these kinds of things?

Mr. Roth. Well, as a legislative aide I have long learned about the dangers of speculating publicly about Members' motives. And so I would much prefer to defer to my Filipino colleagues.

A Voice From Audience. I was asking them.

Mr. Foz. It was passed in the Senate, but the expectation is that it will not pass in the lower house. But you can never tell.

It is very difficult to speculate. But just the same, in case the House blocks the bill, so there is no law then. The government proceeds to take up the matter of a treaty, because the Constitution requires a treaty—it cannot be a mere executive agreement. Assuming that both sides agree to the terms of the treaty, then it goes to the Senate for ratification.

And it is possible that such a treaty would have a difficult time passing the Senate, if we are to consider its at the time, it passed the nuclear bill.

A Voice From Audience. I am not using the word "rent," but I am using the concept of some money involved in this over which the Philippine Government has absolute control. I realize that this is a problem that the Congress of the United States would have a problem with, a fundamental problem.

I am also realizing, from what I have heard both from these two gentlemen and from what I have heard in the Philippines earlier, that this question of having some absolute control over some of the money is a question of deep personal pride, national pride, and national honor.

And it seems to me that this is one of the issues on which, if not the review, the renegotiation is going to come a real cropper. I would love to hear each of you comment on this whole nexus of problems.

Mr. Roth. I think the dollar total is far more significant than the terms. I think that people would gladly take $500 million with conditions over $100 million without conditions, to say the obvious thing first.

Second of all, there are ways around the problems if people are serious about negotiating. There is no program anywhere in the world where the United States provides aid without at least some ideal of how the money is going to be spent. But sometimes there are few specific conditions attached. For example, in Israel the conditions for our cash transfer are nothing serious. One can negotiate general policy terms and say that the Philippine Government commits itself that the money shall be used for agriculture, education, or whatever, and allocate a fixed percentage of the money for that.

And that solves everybody's problems because it does not say it would have to be for this project or this contract and so forth. It is a general type of thing. If you are serious about reaching an agreement, you can reach it.

The other thing I would say is that most likely the outcome of the bases review will be that most of the money is going to be on the military side, where we do not really have these problems nearly as much as we do with the economic development. I think that a major increase in economic assistance is more likely to come through the Marshall plan concept than it is going to come from this bases review.

So, I do not think it is going to be as big a problem as your question seems to suggest.

Mr. NIKSCH. So, you could see ESF being phased out of this bases context as part of a compensation agreement?

Mr. ROTH. "Phased out" may be strong, but I could see military assistance being a larger component. The last time around, because it was Marcos, because it was a dictatorship, it was very important for the United States that the majority of the money associated with the bases be economic, so that we could say that the bases were not just an excuse to prop up a military dictatorship with military aid.

It was a fundamental priority of the U.S. position in the negotiations, and it slowed them up.

The situation is radically different now. We do not have to disguise military aid or reach arbitrary formulas. As we negotiate, if it should turn out that the Philippine Government wants a larger chunk of it to be for military assistance and that they want other moneys to come through other donor channels, I think that is possible to negotiate.

It is not up to me to tell the Philippine Government how it wants to request things. I suspect that there is a lot of inertia in the progress. Most negotiations generally start from the previous negotiation, and therefore I would be surprised if there was not an ESF component this time. But it is not clear to me that it will be more than 50 percent, the way it has been in the past.

Mr. FOZ. By the way, sir, under the constitutional provision, I do not think it would be possible to proceed on "best-effort" basis regarding the bases relative to the amount of compensation.

I would expect that the provision for compensation to be written in black and white, and that it would be binding not only on the U.S. Executive Department, but also on the legislative department.

Mr. ROTH. That is not possible under our system. You cannot do it. We do not have a single treaty with a dollar total in it. That is not a doable thing.

The executive branch cannot commit the Congress to spend money, because it is against our constitution. As I read the Philippine Constitution, the fact that you have to renegotiate the agreement doesn't mean that a specific figure for compensation has to be part of the agreement.

Mr. FOZ. Unless the treaty would, let us say, authorize the Executive Department to negotiate on the matter of compensation. But I would think that under the terms of the Constitution, the law would have to be more strict.

A VOICE FROM AUDIENCE. I am interested to note that we have a constitutional scholar here, actually someone who was involved in the redrafting of the Philippine Constitution. Am I correct?

And I am struck by the recitation of the provisions of this nuclear ban, if I can call it that, to the constitutional nuclear ban in the Palauan Constitution, which has recently given the Congress some pause and difficulty. Can I be very provocative and ask if there was any derivation of this clause from the Palauan experience, or is there any contemplation on the part of the Philippines that it will become an active member or a participant or an observer or in some way connected with the South Pacific nuclear-free movement?

In other words, can you expound, any of you, on the reasons for coming up with a nuclear ban at this stage and coming up with terms that sound very familiar to me, having just written a paper on Palau?

And then as a subnote, would you comment on whether transit could be perceived as storage? And I am talking about nuclear-capable vessels or capable weapons, weapons capable—I could never get the phrase right. Nuclear-capable vessels.

Mr. Foz. I am afraid I am not very capable. I do not have the competence to respond to the question. But just the same, let me just go into the provision in our Constitution regarding it.

To give you a little background on the provision, if you just go by the terms of the provision, it looks as if that there is really an intention for an allout ban on nuclear weapons on the Philippine soil, because the provision reads, "The Philippines, consistent with the national interest, adopts and pursues a policy of freedom from nuclear weaons on its territory."

It might interest you to know, if you don't know it yet, that when that provision was passed, a resolution was prepared—yes, a resolution was prepared and subsequently approved without any single opposition, not a single dissent, on the floor of the Constitutional Commission which drafted the Constitution, clearly expressing the intention of the Commission with regard to that provision.

It says that the general rule is that there shall be a prohibition on the presence of military nuclear weapons in our country, but that it is only a general rule and there might be exceptions in accordance with the national interest.

That was the explanation made, and nobody dissented. Nobody made any opposition to such a resolution, and it was approved.

Mr. Roth. I am not in a position to speak as to whether Palau was in the minds of the framers since I was not at the convention. But I would just point out parenthetically that the provisions of the Palau formula would not give us tremendous heartburn with relation to the Philippines, since it says, we will not use, test, or dispose of nuclear or biological or chemical weapons. The United States does not use, test, start, or dispose of such weapons in the Philippines.

The Palau precedent clearly does not apply to transit. It would not give the United States any heartburn, so I do not view it as a negative precedent.

A Voice From Audience. I just wanted to comment on the lady's question and by the way of somewhat of an answer, that there is a rather incestuous relationship between those in the Philippines who are using this antinuclear issue to end the United States-Philippine military relationship and those in the South Pacific who are trying to do the same and have succeeded in doing this in New Zealand and are trying very hard to do the same in Australia and elsewhere.

And I would just note that the founder himself, Jose Maria Sison, the founder of the Communist Party of the Philippines, visited New Zealand in the fall of 1986, September I believe, and quite publicly thanked the people of New Zealand for showing the people of the Philippines the way.

A VOICE FROM AUDIENCE. A related question to the bases. Do you think that anti-American feelings in the Philippines have grown more intense in the last year or so?

This sometimes seems to be the case based upon perusal of the Philippine newspapers, which sometimes seem kind of stridently anti-American. How do you perceive it?

Mr. TIGLAO. As I pointed out earlier, in the past 2 years there seems to have been a very sudden shift, that anti-Americanism is growing. It is a growing thing in Manila.

One indication of this is the fact that no politician would dare now to be branded as an American boy. For example our foreign secretary—his problem before was that he was being branded as an American boy. Now he is taking very strong stances against American policy, and which I think reflects his perception that to be closer to the U.S. Embassy now is a kind of a political kiss of death.

Mr. FOZ. Manila is not the entire country, may I say. Let me just recall my experience when we went around campaigning for ratification of the new Constitution. My assignment at the time was to go to the provinces.

In my experience in most forums I attended where I spoke, invariably one of the questions would be about the American bases. And I thought at first that those who had raised questions about the American bases in the country, would be opposed to their retention in the country.

But I was told later on that the questions were raised just to find out our intention, because the impression created at the time was that our provisions on the bases were really loaded against retention and that we were really against retention of the bases.

And that was a misimpression. But the provision as written actually allows a lot of flexibility for our policymakers.

And in the informal gatherings with local newspapermen, that was the same concern, there was a fear that the Constitution really paved the way for the removal of the bases. The local newspapermen had thought that this should not be done.

In other words, what I am trying to say is that there might be an impression of a rising anti-American feeling, but I would say that most of this is in metro Manila, the center of commercial activity. But just the same, there is the perception, too, that whatever is done in the country is first initiated or starts in metro Manila, being the center, the leader.

Mr. NIKSCH. Let me ask Margaret Sullivan, who is with us and who is just back from Cebu. How does tha issue play in Manila, say, compared to Cebu?

Ms. SULLIVAN. Well, I would say that if you listen to it with just one ear you hear a rising set of comments and very sharp questions about the way Americans behave, about American intrusion in internal Philippine politics, about American manipulation.

I heard the Rotary Club of Cebu ask very, very, very sharp questions of Ambassador Platt when he came on his first trip outside of Luzon to Cebu, sharp. Not sharp maybe in American terms.

I mean, I think he probably thought that it was a stimulating discussion. But in the Philippine context, where questions are often asked indirectly or quietly, it was extraordinarily confrontational. So, that is going on.

My own deeply held feeling about the nature of the discussion is that once again we are hearing one thing and something else is happening, and that something else that is happening is both positive and important.

What we are hearing I think is a very strongly developing sense of Philippineness and the need to separate this from the United States, and therefore that the way one does this is to challenge.

And what we are really hearing is more pro-Philippine making of their own minds than we are hearing anti-American, and that it is just simply taking another form. I think we need to not worry too much about it, frankly. I think most of what we are hearing is extraordinarily healthy, and the steps in putting the relationship on a much more equitable, much more mutually respectful sort of basis.

And I think we should just let a lot of it roll and not take a lot of it as minute by minute serious.

Mr. TIGLAO. The nuclear-free issue was specifically targeted at the bases issue. At that time, somebody had a wiretap of President Aquino conversing with Davey Boy Loxine that he better tell some of the people at the convention that the Americans might not find this provision quite good, because they detected the start of it.

My point is that I do not think this can be dismissed any longer as a search for Filipino identity or a mere psychological thing. There is a real politick in it.

Ms. SULLIVAN. Oh, yes.

Mr. TIGLAO. The last survey was that 40 percent of Filipinos were against the bases. This is significant because this 40-percent survey who are against the bases is not passive. It is an active minority.

Mr. NIKSCH. Who took that survey, Bobby?

Mr. TIGLAO. It was this "social weather" group—40 percent were against the bases. But as polls go----

A VOICE FROM AUDIENCE. Is that a nationwide survey of metro Manila?

Mr. NIKSCH. There was not a large block of undecideds in a poll like that? Had people made up their minds one way or another? Is that what it indicated?

Mr. TIGLAO. I think the 60 percent was a bit of undecided. But what surprised people then was that before you would find 90 percent for the bases and it has changed—40 percent against the bases is significant.

Mr. FOZ. On the other hand, I think the same outfit made a survey, but it didn't ask the question directly about bases. But just the same, the respondents were asked to cite the five most serious problems facing the country.

And the result was that, with regard to the bases, the bases were listed the last, No. 5. It was the least problem.

The survey did not ask the question whether the respondents would be in favor of or against the retention of the bases, but I think that it made some indication of how people think about the bases, because according to this response it was the least serious problem.

A VOICE FROM AUDIENCE. Did they enumerate five problems and they chose from the five, or was this free form where they could make any list they want?

Mr. FOZ. Yes, and they put the removal of the bases, I think it is the very phrase "removal of the bases," as the least, No. 5, the last on the list.

Mr. NIKSCH. Well, we have had a very long day and I think we have had a very productive discussion. But I am sure you are all becoming weary at this point. It has been a long, but I think very productive, session on this very important issue of United States-Philippine relations and where those relations are heading.

I would like to close by inviting Richard Fisher from the Heritage Foundation to make a few brief observations about what he has seen and has heard today, and that will conclude our conference.

And I will say a few thank you's when Rick is finished, and I would like to thank both Mr. Foz and Stan for I think a very good presentation, which stimulated I think a very good discussion on this issue.

Rick, do you want to come up and join us?

PRESENTATION OF RICHARD FISHER, HERITAGE FOUNDATION

Mr. FISHER. Well, it is almost Miller time, or should I say San Miguel time, and so I will try to keep my remarks brief and concise.

One point that—one issue that was very popular today was that of human rights, and I would simply ask those that have remained to consider the difference between human rights and human wrongs.

I do not think anybody who has so far spoken today has really questioned the credentials and the motives behind many of the groups that have succeeded in making human rights an issue that is an irritant so far in United States-Philippine relations, but if it gets out of hand could perhaps unjustly and unreasonably complicate United States relations with the Philippines, as we have seen in the past, such as El Salvador and Vietnam.

And I would suggest to all of you by way of illustrating this point a very good article appeared recently in the Globe in Manila. It was a very touching article about two comrades, two members of the party who, because of family and economic reasons, took a very low-profile job within the party, but who had relatives who became very active in the party in Mindanao.

In late 1985 or early 1986, they were liquidated as part of a large purge that others have mentioned, that Gary mentioned for example, that formed the original impetus for the Alsa Masa.

These two comrades began to miss their relatives and decided to find out what happened to them, and they addressed several open letters to the party, a very dangerous thing to do for a former or an active or somebody who does have an active relationship with the party.

The letters were unanswered. The comrades became increasingly frustrated and they decided to seek the help of others. They approached Sister Mariani Di Morana, the founder and current leader of the Task Force on Detainees. The comrades were shocked when Sister Mariani became incensed that she would have to consider this example of what was to her an irrelevant case.

The human rights of the missing comrades were of no concern to her, and the issue now stands before the public. The two comrades turn their story over to a reporter from the Globe, and that is where it stands today.

So, I just would offer that one observation on human rights and human wrongs in the Philippines. This leads to perhaps some comments I would like to offer on the insurgency and the military.

I very much agree with Gareth Porter that the party is experiencing a great degree of ferment regarding the future, its future strategy toward how it will prosecute its war against Philippine democracy. It can go one of two ways.

It can continue to pursue its combined political-armed struggle that it has seemingly decided to do thus far, or it can drop the armed struggle aspect and pursue a more sophisticated political struggle.

I would suggest to you that this was precisely the lesson the Sandinistas learned in the early 1970's. They learned that when you shoot people you make enemies, and as a consequence reduced their Armed Forces substantially and devoted more resources toward united front building, and they—obviously it worked for them, because they today are in power.

Should the CPP pursue a strategy that emphasizes political struggle, I think it would—the party would present a greater challenge to the current democratic regime.

In connection with this, I would disagree with Gareth on the issue of international support. He mentioned that the Soviet Union was not courting the CPP. Should the party stand down its military and pursue a political struggle, it will not be able to collect the funds in the countryside as much as it has in the past, and it will depend more on international support.

And I would suggest to you that for several years now the Soviet Union has been courting the CPP and vice versa. If you look at the activities of many of the front organizations of the CPP, the KMU, the May 1st Movement, trade union federation, groups like Gabriela, you see an increasing incidence of contact with Soviet fronts, such as the World Federation of Trade Unions.

These do not bode well for the future of political stability in the Philippines.

I would just offer some general observations on the military. I last visited the Philippines in October of last year and was rather encouraged by the progress that I saw the AFP had made from the previous—from visits of the previous 2 years.

What struck me most was the degree to which the local military commander was cognizant of the need for cooperation with local political leaders, be it the mayor, the governor, the Barangai captain.

What struck me as unfortunate was in some cases running into a reluctance on the part of the civilian authorities to cooperate with the military, not out of any hate or suspicion of the Aquino but out of a real fear that, should this certain political leader become too identified with the military, their lives would be further endangered from the party and they would have no way to defend themselves.

As a consequence, I would hope that in the future Mrs. Aquino would impress upon regional leaders, governors, mayors, the need to cooperate with the military, because the military cannot, as many speakers have stated today, win the war.

The war will only be won if the military cooperates with a civilian leadership that is willing to take a leadership role in addressing the multifarious issues that feed the insurgency today.

Moving on to some comments regarding the afternoon session, Marjorie Niehaus in particular pointed out I thought very eloquently how the Philippines is going through a transition on several levels. I think it is important for us here also to realize that the United States is undergoing a transition in its relations with its international partners, and to a very significant degree the local of these relations are shifting to Asia.

As a consequence, the political stability that we helped to ensure in Asia will only further rebound in our ability to compete successfully on economic terms with Asia. I would point to our relationship—I would agree with Dick Kessler that our relationship with the Philippines is probably as important as our relationship with Japan and for the next few years, perhaps the next two decades, will probably be more important, because our position in Asia will largely hinge upon our ability to promote a viable democratic system in the Philippines with the cooperation of the Aquino government now and the following government.

To this, I would add that the military relationship with the Philippines, for better or for worse, will be a central part of this relationship.

Hank Kenny alluded to the possibility that, if the bases relationship were to end, that there would be a negative reaction in the Congress. I would go further to say that, should the bases relationship end, there would be a profound sense of disappointment throughout the United States.

I would just cite as evidence for this radio interviews that I have been conducting over the last 3 weeks. There is a lot of interest in the future of the bases, and the sentiment that I hear again and again is, why, we are not there for just our own interests, we are out there because we care about the future of the Philippines, and a free democratic Philippines is not only good for the Philippines, but it also helps us to fullfil our role in preserving the wider democratic system in Asia.

And to this I would conclude by noting that when looking toward the so-called Marshall plan initiative, that I would hope our Congress in particular would pay special attention to the need to take a leadership role in making sure of that. I would hope that because if the United States did not take the initiative in contributing a substantial share to this Marshall plan, then others would follow that lead and not take the Marshall plan initiative seriously.

I would note that perhaps a compensation package for the next MBAS agreement, whether it be for 2 or 3 years, that was below $500 million a year would not set a very positive precedent for the success of a substantial Marshall plan initiative.

I think I will leave it at that. Thank you, Larry.

Mr. NIKSCH. Thank you very much, Rick. I think that was a very cogent and interesting summation of some of the main points in the conference today.

Before we close, let me extend a few thank you's to certain people and individuals. First of all, I would like to thank Anita Basilio, who is the secretary of my section down in the foreign affairs and national defense division. Anita is a Filipino, by the way, who is now a citizen of the United States, and she gave me invaluable support in my preparations for this conference today.

And I would also like to thank Chad Wilson, who just left a few minutes ago, from our front office of CRS for the assistance that he has given in the preparation of this conference today.

And finally, I would like to extend a thanks to Jimmy Yambao, who has been sitting here patiently throughout this conference, for the cooperation that he has given me and support from the Philippine Embassy for the conference today.

I hope that you have found this to be a rewarding session. I think that the publication of the proceedings by the Foreign Relations Committee will produce a very important piece of source material that can be used in the U.S. Congress and academia and among others who are interested in these issues as we move ahead into the next U.S. administration, which will take office in 1989.

And so with that, I would like to thank all of you for coming. It has been a long day, I know. But I think it has been a productive one. I have learned a lot and I hope you have, too.

Thank you very much.

[Applause.]

[Whereupon, at 5:30 p.m., the conference was adjourned.]

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